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Metropolitan Transportation Authority

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**PLANNING AND PROGRAMMING COMMITTEE  
SEPTEMBER 19, 2012**

**SUBJECT: VALUE CAPTURE – TRANSIT INVESTMENT DIVIDENDS**

**ACTION: RECEIVE AND FILE VALUE CAPTURE ANALYSIS**

**RECOMMENDATION**

Receive and file a report containing a summary of the best practices for value capture in transit agencies and a comprehensive list of value capture options for consideration in the Metro system.

**ISSUE**

At its March meeting the Board adopted a motion by Director Ridley-Thomas directing staff to prepare a report summarizing the best practices for value capture and recommendations relating to value capture programs at Metro.

**BACKGROUND**

In recent years, shrinking state and local budgets, declining purchasing power of fuel tax revenues, and growing capital and maintenance costs have resulted in substantial shortfalls in transport funding. With the growing realization that the cost of transport will not be sufficiently met by the existing financing and revenue generation methods, new methods to augment the present system have been studied, one of which is value capture.

**Value Capture:**

Value capture is the identification and capture of the increase in land value resulting from public investment in infrastructure. Its principal theory is that those who benefit from a particular infrastructure or service should also help pay for it. In the context of public transit, providing new or enhanced public transit systems provide tangible value and benefits to the neighboring properties which often result in higher land values. Value capture theory posits the position that if these properties benefit from the public transit systems they should contribute toward funding the systems.

Various methods have been devised and utilized, both in the United States and around the world, to directly or indirectly capture the increased land value that can be captured through various mechanisms, including:

- a) Transit Impact Fees
- b) Property Tax Increment Financing
- c) Special Assessment Districts
- d) Joint Development (Including air-rights) Special Assessment Districts;
- e) Increased Property Taxes Through Re-Assessment

While all of these mechanisms can and have been utilized in a variety of contexts, the implementation of many of these mechanisms is heavily dependent on such factors as: a) the availability of state and/or local enabling legislation; b) stakeholder support (from either or both the development community and/or in California voter approval in the case of fees or assessments); c) the willingness of cities and counties to implement value capture techniques for transit funding and; d) institutional capacity (i.e., financial, administrative and technical capacity of the governmental/transportation entities to undertake joint development or to administer special assessment districts or tax increment programs).

Our present transportation funding system emphasizes user fees contrasted with value capture systems which attempt to recover the value of benefits received by property owners or developers due to infrastructure improvements and use those revenues to fund current or future transportation improvements. The rationale for such value capture systems is that the beneficiaries of transportation investment are not limited to direct users but also include landowners and developers who may benefit from enhanced land value brought by new transportation infrastructure improvements.

A significant body of transportation legislation on both state and federal levels has reinforced the need for integration of land use and transportation and the provision of public transit. However, the public transit systems typically require significant operating and capital subsidies and with all levels of government under significant fiscal stress, the search for new transit funding mechanisms has intensified.

#### Increased Agency Land Costs - Private Sector

It is worthy of note that Metro has increasingly experienced high land costs as it moves to acquire right-of-way, station sites, construction staging areas and required land for parking and ancillary operations. The private sector, as well as local municipal and other land owners, have recognized the increased land value brought by transit. The timing of our purchases – restricted as it is by law to a period after the full environmental certification of a project, puts Metro at some disadvantage since the projected route and

placement of our facilities is well known in advance of our ability to negotiate and consummate a purchase. Thus, unless some form of value capture can be devised and implemented, we will continue to forfeit much of the increased land value created by our aggressive building programs and pay much of that increased value to existing landowners.

The following is a brief assessment of the major forms of value capture utilized in the United States and, to a large extent, world-wide. More detailed information is provided in the very substantial body of literature and studies emerging as value capture is increasingly reviewed by transportation providers. A number of the more prominent studies and surveys are listed in Exhibit A of this report.

## **Value Capture Mechanisms:**

### **1) Impact Fees**

The imposition of an impact fee requires state and local enabling authority and only a few states allow transit (as opposed to general re-development) impact fees. The legislation requires real estate developers to contribute or fund public facilities, infrastructure, and/or services that would otherwise be paid for by the transportation provider.

The design and implementation of a transportation impact fee system also requires a high level of governmental and/or transportation agency institutional involvement and cooperation as well as careful documentation of the nexus between transportation improvements and land value in order to aid in the defense of any legal challenge. Resistance from stakeholders is largely confined to the development community. It is also important to recognize that these fees must be levied by local municipalities who may have other value capture priorities.

Studies suggest that such fees have, in particular circumstances provided varying percentages of funding - depending on (among other things) the type/cost of the transportation infrastructure improvement and the relative strength of the local real estate market in the area to be assessed. They are also dependent for their stability on the local strength of the real estate market as well as the supply of infill or green field land available adjacent to the transportation improvement. If strong real estate markets and suitable land is available, there is a higher likelihood of stronger revenue growth and lower volatility.

### **2) Tax Increment Financing:**

Tax increment financing requires the creation of a defined geographic district – often administered by a special authority - which authority on a national level is usually a

redevelopment or economic development agency. Once such a district is created, the assessed property value is pegged at its then current level for a period of years and, as development occurs, the property values in the district increase as do the property tax revenues. The property-tax “increment” (the tax assessed on the now higher valued property less the property tax at the “pegged” level) may be granted to the transportation agency through the special authority.

It is important to note that this revenue will be diverted to transportation uses rather than to the agencies that would normally receive it (city, the county, school districts, etc.) and from the special authority itself. Opposition from such interests may be significant. Creation of such a system would also require a relatively high degree of institutional capacity and cooperation among the municipal and county to administer the system as well as to garner support of other public agencies and the community at large.

California, as well as most other states have enacted enabling legislation allowing tax increment financing, however it is unclear whether use of such funds for transit infrastructure related purposes is allowable and there is wide variation among the states as to permissible uses of tax increment revenue ranging from the highly restricted (defined blighted area revitalization projects) to very liberal (general development, job creation etc.) as witnessed by current efforts in California to implement infrastructure finance districts using tax increment techniques.

Once implemented, however, the revenue can remain relatively stable although, as in the case of most other value capture techniques (impact fees, joint development, air rights etc.), they are dependent on real estate market conditions as the level of new development is the main contributor to such added revenue.

### **3) Special Assessment Districts:**

As the name suggests, Special Assessment Districts are geographically defined areas for which governmental or quasi-governmental agencies are legislatively enabled to collect mandatory fees based on benefits provided by public infrastructure improvements.

As they are seen nationally, and as local experience strongly suggests, a highly concerted effort on both the state and local level is invariably required for the formation of such a district. In addition, a substantial institutional effort (initial expertise to devise and set-up systems as well as administrative staffing by both the transportation agency and the administering authority) is also required in order to properly devise and operate such districts.

In assessing the viability, utility and revenue potential of such districts, a number of key decisions must be made that will affect the effectiveness of such a system. When dealing with public infrastructure assessment districts, including transportation infrastructure, the evidence suggests that most districts exempt lower-income households (if they assess residential properties at all – the trend recently has been to completely exempt residential

and small property parcels), and then base the assessment on the benefit to each property individually.

Individual assessments are based on property value, parcel size, street frontage, and use. Street front footage, or the length of the property along the transit infrastructure, has been the most commonly use measure of benefit, however new methods of assessment are becoming more popular, as the frontage method has increasingly come to be viewed as inequitable. More commonly used new methods are; a) “increased value” which determines the increase in property value pre and post-improvement to arrive at an assessment amount; b) a “zone method”, which uses the proximity to the new transit amenity to determine the assessment amount and; c) an “area method”, making assessments proportional to the size of the land parcel on which the property is located.

Several states, including California in the case of transit, now require the vote of the majority of property owners or residents for special assessment district formation thus making it more difficult to provide such districts. Additionally, the long planning and development timeline for most transit projects results in the improvements being irrevocably committed to much earlier than the date that a property owner would realize an increase in the value, thus reducing the probability of voter approval. Special assessment revenues are, however, highly stable and may be collected in a single assessment or on an annual basis with interest pegged to the transit agencies cost of borrowing.

Starting in the mid-1980's several metropolitan areas, including Los Angeles and Washington, DC, started using special assessment districts to help finance new rail projects. Other cities, including Seattle, WA, and Portland, OR, have used them to help finance transit infrastructure, such as streetcars and light-rail systems, while Charlotte, NC, and Atlanta, GA, and reportedly plan to use them to aid in the financing of local transit projects.

On a national level, the formation and implementation of such districts have generated relatively large sums of revenue as a percentage of cost, particularly as the assessed amount relates to lower-cost bus or light rail systems. The Los Angeles Red Line Segment 1 generated a smaller proportion of the higher cost heavy rail project as is detailed later herein and in Exhibit 1.

Legal requirements greatly impact district formation, which must be supported by the majority of property owners or, in some cases, residents. Assuming property owners vote in favor of the district, the next steps involve a preliminary study outlining the project details and city and/or county government must vote to approve or deny district formation. Each property within the district is then assessed based on one of the methods outlined above and owners are given the option to appeal the fee, and if an appeal is upheld, the fee is reassessed.

Note also that although individual residential property owners receive the benefits of new or enhanced transit, they are now commonly exempted as are smaller parcels and other categories of owner/users (public and charitable etc.) must be considered on an “equity” basis when formulating an overall plan.

#### **4) Joint Development and Air Rights:**

In the context of transportation funding, and as the name implies, joint development involves a partnership between the transportation provider and private developers to build and operate residential and commercial ventures on land owned by the transportation provider. While property may be sold, Metro's model involves "ground leasing" pursuant to a "joint development agreement" that provides a framework to assure that the development is (and remains throughout the lease term), one that promotes transit use while "unlocking" the value of otherwise underutilized real estate at and around transportation stations and parking facilities. The development – totally financed and operated by the private developer – provides regular periodic payment to the transportation agency. Because Metro retains ownership of the underlying land, at the end of the lease term the property as well as any improvements built on it revert to Metro's full control and Metro is then free to provide for continuing operation, re-leasing or other use of the property.

On both a national and local level, the traits are that are common to joint development programs are that; a) specific enabling legislation is normally not required for undertaking joint development, however a clear policy framework is highly suggested and; b) significant local government/transit agency institutional capacity is required to conceptualize, plan, develop, and manage joint developments. Expertise in project finance and real estate development is critical for negotiating joint development terms, especially the lease structure.

As with most development both locally and nationally, there is exhibited low to moderate stakeholder opposition to new development, most of it from neighborhood residents who feared increased traffic congestion, air/noise pollution, and changes to the character of the neighborhood.

Revenue generation can vary widely due to the individual characteristics of the land available for development. For example in Metro's experience, there was robust growth in joint development during the real estate "up years" from 2006-2009 when such projects as; a) the Hollywood & Vine Hotel/Apartment/Retail project (total lease revenue from 2012 through lease termination approximately \$350 million) and; b) the Wilshire/Vermont Apartment/Retail project (total lease revenue from 20012 through lease termination approximately \$50 million) among others.

However several other "mega-projects" that were negotiated just prior to the severe economic downturn that would have yielded approximately \$10 million annually or over \$500 million in its initial lease term (North Hollywood) and \$4+ million annually or over \$200 million during its initial lease term (Universal) were put completely on hold as it became next to impossible to finance such projects.

While during the intervening years (2009-present) we have been able to complete negotiations on a number of smaller projects due to the availability of financing for those containing significant affordable housing components (Westlake/MacArthur Park Phase I –

approximately \$2.5 million in capitalized rent; and the One Santa Fe project – approximately \$105 million over its lease term) as well as several others, most larger projects remained on hold until very recently.

As the economy continues to improve, it is likely that we will now see (and in fact are already witnessing) a surge in demand and the availability of financing for rental apartments. This is offset by the demise of Redevelopment Agencies who were a significant aid to financing affordable apartment projects. It is likely, therefore, that we will be able to complete a number of new market rate unit mixed-use projects within the next several years. However the financing and market demand for the “mega-project mixed office/retail etc. projects remains highly uncertain and is unlikely to be resurrected in the near term.

In addition, any projections relating to overall joint development income attributable to land surrounding a specific transportation improvement will be highly dependent on the characteristics of the neighborhoods in which the transportation improvements are located as well as the then current real estate market. As above noted, even in otherwise high revenue yielding markets, “mega projects” that include high density high revenue yielding uses (high-rise office, large scale retail etc.) may not be (as is the case in today’s environment) economically feasible. Thus a more modest revenue stream garnered by a number of smaller to intermediate mixed use (residential/retail) projects is more likely.

Apart from the more straightforward revenue and cost sharing, joint developments can bring other benefits to transit agencies, including increased transit ridership by increasing station-area density or adding destinations on transit lines. The increased ridership can, in turn, raise the transit agency’s fare-box revenue. Transit agencies may also enter into joint agreements to promote economic development and job growth or to create affordable or transit-accessible housing. Furthermore, private developers can share the costs of construction and/or maintenance of stations and other facilities, such as heating and ventilation systems. A number of Metro joint developments have included developer-built transportation facilities (e.g., the bus layover facilities located beneath the apartments at Hollywood and Vine etc.) and can further contribute to enhanced ridership in a variety of ways (e.g., the developer-paid transit passes furnished to each household at Metro’s Westlake/MacArthur Park development).

#### Additional “Incentive” Development Revenue:

An additional form of incentive development agreement – often in the form of a “density bonus” or infrastructure construction agreement, is also gaining some currency. Developers are granted the right to build residential units or additional square footage over and above that normally allowed by existing zoning or entitlement legislation (thus increasing the developments value) in exchange for contributing to the transit agency’s revenue derived from the development of other transit related objectives. This type of agreement is most common in New York City, where density bonuses are extremely valuable to developers due to the high rent structure and would have applicability to many areas of Los Angeles as well.

Note however, that implementation of such agreements will, in most cases, require special legislation and/or a significant degree of “partnership” with state and/or local governing authorities as transit agencies are not empowered to change local land-use rules and regulations. Increasingly, local jurisdictions are looking to such density bonuses or other land use or zoning benefits as a mechanism to fund their own priorities including affordable housing, parks, and street and sidewalk infrastructure and other community benefits.

### Potential Barriers to Joint Development:

Transit agencies may have policies that inhibit joint development. For example, some agencies (BART among them) have a one-for-one parking replacement policy that often requires construction of prohibitively expensive multistory parking garages to compensate for displaced surface parking. However Los Angeles, among other jurisdictions, has and continues to take significant steps to relieve parking requirements in transit adjacent districts

Private developers may also lack joint development experience. Additionally, public agencies may impose requirements that developers perceive as risky, such as requiring a mix of housing types or socioeconomic groups that, in the developers' view, may negatively impact market demand. Other risks involved with large-scale joint development projects include; a) public agency process and regulations can be highly complicated and place unknown and undue burdens on developers; b) the request-for-proposal (RFP) process employed to choose the developer, is inherently risky and expensive for developers; c) the unknowns of partnering with a transit agency may limit the expectations of developers in terms of what they can build and ; c) other requirements imposed by the transit agency, such as a requirement to sell a certain number of units at below-market rate, may reduce profits.

### Other Considerations for Joint Development and Value Capture

#### Real Estate Market Conditions

Joint developments as well as virtually all forms of value capture are highly impacted by market conditions. Weak real estate markets will reduce revenue yield. Many leases protect transit agencies from market risk by requiring minimum guaranteed lease payments, however both initial and continuing revenue streams are dependent to a greater or lesser degree on real estate/development conditions as they exist from time to time. The extent of value enhancement varies widely among markets and is sensitive to the delivery date of the transit improvements.

#### Institutional Capacity

The institutional capacity needed for joint developments varies, based on project type and size. Nonetheless, considerable institutional capacity is usually required to conceptualize



developments, determine their scope, invite developers to partner in project development, review developers' proposals, negotiate agreements with developers, and manage projects during and after construction. This is also true as it relates to other forms of value capture as all must be carefully considered and administered throughout the term of their existence.

Foreign Experience:

It is further worthy of note that many point to the experience of Hong Kong, whose transit system derives a substantial portion of its total revenue from commercial, property and property management businesses. This, however, is largely a reflection of an entirely different governmental system that is not likely replicable in the United States. The Hong Kong Mass Transit Railway is a "publicly owned" corporation that acts as a developer – utilizing land granted from the government and acting as a developer that builds, leases and operates large scale residential and commercial properties adjacent to its lines. As such it is able to derive approximately 23% of its revenue through these activities.

### **Scale and Use of Revenue**

All forms of value capture are to a greater or lesser degree dependent on both the condition of the real estate environment at specific locations and at a particular point in an economic cycle (e.g., joint development) and/or on the specifics of the real estate market timing and the scope and definition of the program (e.g., the geographic location of assessment districts: the exemptions granted to either or both residential and small parcel or lower income participants) and thus must be studied on an individual basis).

Some sense of the scope of the higher-yielding forms of value capture may be gained by the Los Angeles Red Line experience with special assessment districts. While in its initial phase it was able to bond and retire some \$123 million in bonds after 17 years, the projected subsequent phases were never completed due to a combination of factors including a change in legal requirements and opposition by transit adjacent landowners who would have been subject to the assessments. Exhibit 1 details the history of the special assessment district(s) created for the Red Line.

Similarly, Metro's experience with joint development detailed above illustrates relatively robust revenue on a site specific basis, but also the dependence on the local and national real estate and financial markets.

In its current state, the revenue derived from value capture is relatively unrestricted and, absent Board or other legislative direction, would accrue to Metro's general fund and could therefore be utilized for multiple purposes and, thus for augmentation of any Board approved project.

**SUMMARY:**

The performance of all value capture mechanisms must be evaluated based on the same criteria that transit providers consider when designing and implementing any funding mechanism: the enabling legal environment, stakeholder support, institutional capacity, revenue yield, revenue stability, and equity. In terms of the categories of value capture reviewed, the following characteristics emerge:

In terms of scale:

Tax Increment Financing and Special Assessment Districts are the mechanisms likely to yield the highest and most stable revenue. However, to allow the use of Tax Increment or Special Assessment Financing, significant institutional capacity, community support, and agreement among taxing agencies is a pre-requisite.

Local governments may use a combination of value capture mechanisms. For example, Tax Increment, Special Assessment Districts and Joint Development have been successfully implemented in a single project in appropriate situations.

The use of Transit Impact Fees is rare. It requires both state and local-level enabling legislation, complex nexus studies to provide a defensible basis for assessment, a strong real estate market, and developer support. Both the utilization of Transit Impact Fees and Special Assessment Districts must be carefully designed and implemented to minimize inequities. The following chart summarizes the most relevant factors related to instituting the major value capture systems

<b>Value Capture System</b>	<b>Used by Metro</b>	<b>Authorized By Current State Law as related to Transit **</b>	<b>Require Local Government Concurrence and/or "Sharing" of Revenue *</b>
Transit Impact Fees	No	No	Probable
Tax Increment	No	? as to transit	Yes
Spec. Assessment Dist.	Yes (previously)	Yes	No
Joint Development	Yes	Yes	No
Joint Dev. Added Incentives	No	No	Probable

\* As noted in the body of this report, the power to impose fees; utilize tax increment or grant entitlements of zoning variances or exceptions resides with State and local governmental entities. The imposition of any such benefit and the revenue or other

benefit derived therefrom would not flow to the transportation agency unless such state of local agency grants it cooperatively.

\*\* A full analysis of enabling legislation, particularly as it relates to the availability of same for transit-related purposes is complex and will, as noted herein, require a full analysis in each case to determine what, if any, further authority may be needed to enable imposition of particular value capture strategies.

## **NEXT STEPS**

In order to make a decision on whether to move forward toward implementation of any new value capture system (e.g., Special Assessment Districts, Property Tax Increment Financing, Transit Impact fees, etc.) or to augment existing programs (i.e., adding to the existing Joint Development program the ability to “incentivize” via density bonus etc., thus increasing revenue) it will be critical to study each of the most promising (in terms of significant revenue) systems on an individual basis.

Each should be measured in terms of a presumptive geographic and system specific basis for its potential revenue generation and in terms of the relative complexity of implementation including the need, if any for enabling legislation, inter-governmental and inter-agency cooperation as well as institutional capacity and the potential need and cost to augment such capacity.

As an initial step, a comprehensive identification and review of enabling legislation needed to implement any additional value capture system as such enabling legislation relates to the use of such assessment for transit-related purposes would need to be undertaken. This would be accompanied by an assessment of likelihood of securing any additional enabling legislation, including the public support that could likely be garnered and an assessment of likely opposition from competitive users of such revenue (e.g., school districts, municipal governments etc.).

Further and later steps would then be needed if enabling feasibility were found likely. They would include a value assessment of the real estate likely to be involved, its potential revenue-generating value and the likelihood of securing the necessary cooperation from the needed governmental authorities. Many of the value capture systems – due to the multiplicity of governmental jurisdictional authorities – will require the governmental unit that “owns” such potential revenue (i.e., property taxes, grants of entitlement and the like) to agree to “share” such revenue with transit. While a strong case may be made that such “sharing” results in an overall benefit to transit, the public and to the governing authority, a relatively detailed nexus study would likely be needed to establish those benefits.

An additional step should include review of any pending legislative proposals involving special infrastructure assessment districts and the possibility of garnering support for amendments that would enable the participation of transit-related improvements as beneficiaries of such legislation.

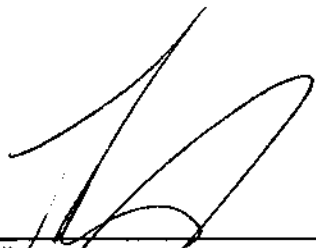
## **CONCLUSION:**

The imposition of new value capture systems can be highly complex, will in most cases require the acquiescence of local regulatory agencies, and is clearly dependent on local (and particularized to the proposed transit system to which it is to be applied) real estate and financial systems. Due to the complexity and attendant expense, both in terms of added institutional governmental and transit provider structure and administration, great care must be taken to determine whether the potential revenue generation likely to result from many of the newer value capture systems justifies the attendant costs.

## **ATTACHMENTS**

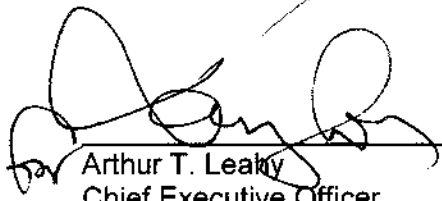
Attachment A - Los Angeles Metro Special Assessment Districts - History

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**LOS ANGELES METRO SPECIAL ASSESSMENT DISTRICTS – HISTORY \***

In 1983 the PUC Sections 33000 through 33020 authorized Metro's predecessor, the Southern California Rapid Transit District (SCRTD), to establish special BIDs (essentially Special Assessment Districts) around Metro Red Line stations, which were then just being planned. SCRTD was authorized to establish BIDs without voter approval, but a referendum was to be held if requested by the "owners of at least 25 percent of the assessed value of real property" within a proposed BID.

In July 1985 SCRTD establish BIDs that were denominated "A1 Downtown" for properties within 1/2 mile of the four downtown Red Line stations, and "A2 Westlake" for properties within 1/3 mile of the Wilshire/Alvarado Station.

In 1987 the SCRTD Board approved sale of BID bonds, but deferred collection of the assessment until the Red Line became operational. However, the Board Secretary refused to certify the bond resolution on constitutional grounds and SCRTD sued her in order to "to judicially validate the actions of the Board in establishing the two benefit districts before the bonds were issued." The California Superior Court upheld the establishment of the BIDs later that year. The California Court of Appeal reversed the Superior Court's decision in 1990, but the California Supreme Court agreed to hear the case. In 1992 the Supreme Court reversed the Court of Appeal, and the U.S. Supreme Court refused to hear the case, allowing the BIDs to collect funds and issue bonds.

Meanwhile, in 1990, the SCRTD Board established six additional BIDs (A3 through A8) for Segments 2 and 3 of the Red Line. In 1992 SCRTD sold \$162 million worth of benefit assessment bonds, and Segment 1 of the Red Line started revenue service, triggering the assessment in Districts A1 and A2.

Metro was created in 1993 through a merger of SCRTD and the Los Angeles County Transportation Commission (LACTC). The powers and authorities granted to SCRTD and LACTC in the PUC remained in effect for Metro.

The amounts Metro collected for Segment 1 ranged from \$885,000 in the first year to a high of \$20,032,000 in 2005. The amount collected was enough to retire the \$123.7 million in District A1 Downtown bonds in 2009, after 17 years.

District A2 Westlake was budgeted for \$6.5 million, District A3 Wilshire for \$27.75 million, District A4 Vermont for \$11.25 million, District A5 Hollywood I for \$14.25 million, District A6 Hollywood II for \$8.25 million, District A7 Universal City \$8.25 million, and District A8 North Hollywood for \$5.25 million.

However, despite establishment of these Segment 2 and 3 BIDs in 1990, no assessments were ever levied. The property owners did not want to participate because of their assessment of the impact of cut-and-cover construction on businesses adjacent to Segment 1. In particular, Universal's negotiations with Metro regarding location of Universal City

Station made it a condition of the agreement not to have a BID. Metro did not even hold referenda among adjacent property owners because it was clear the referenda would fail.

Some years later, USC asked the Metro Expo Construction Authority to locate the Expo Park light rail station underground. There was some discussion about setting up a BID, in which USC would be the only property owner, to help fund it. However, USC dropped its request and the station was ultimately constructed at grade, financed the same way as the rest of the line.

### **Chronology of Metro Red Line Segments 1, 2, and 3 Benefit Assessment District Program**

<b>YEAR</b>	<b>EVENT</b>
1983	California State Legislature enacts benefit assessment legislation
1985	Southern California Rapid Transit District (SCR TD) Board approves Resolution to Proceed and submits it to the Los Angeles City Council (Council); Council amends and approves Resolution to Proceed
	SCR TD Board adopts resolution establishing BIDs A1 and A2 for Red Line Segment 1
	SCR TD Board adopts Appeals Procedures
1986	SCR TD Board approves an assessment rate of \$0.30 per assessable square foot
1987	SCR TD Board approves deferral of the benefit assessment collection until a bout 1992 or whenever the Red Line is operational
	SCR TD Board approves sale of benefit assessment bonds
	SCR TD District Secretary refuses to certify the bond resolution claiming the BID program is unconstitutional
	SCR TD sues District Secretary
	Superior Court finds in favor of SCR TD
1989	Citizen Task Force meets on forming BIDs for Segments 2 and 3 and recommends proceeding, with property owners having four options on how to pay assessment
1990	SCR TD Board approves Resolution to Proceed and transmits resolution to LA City Council and County Board of Supervisors for six new BIDs for Segment 2 (A3 through A6) and Segment 3 (A7 and A8) after public hearing. Resolution to Proceed includes four payment options based on a Citizen Task Force recommendation: lump sum discounted from scheduled opening date, 5 annual installments, payment over 29 years beginning when station opens, full prepayment when station opens
	State Appellate Court reverses decision of Superior Court in Segment 1 litigation
	State Supreme Court agrees to hear Segment 1 case
	Two proposed districts (A3 Wilshire, A7 Universal City) submit petitions requesting elections with more than 25% of assessed valuation
	LA City Council and County Board of Supervisors defer consideration of the resolutions given pending litigation in Segment 1
1992	State Supreme Court affirms constitutionality of BIDs
	Case is appealed to and refused by U.S. Supreme Court, letting stand the decision of the State Supreme Court that BIDs are legal
	SCR TD sells \$162 million in benefit assessment bonds
	Red Line Segment 1 opens
1993	Los Angeles County Metropolitan Transportation Authority (Metro) assumes all BID responsibilities
	Metro Board approves \$0.17 per square foot levy on Segment 1 assessable property to repay bonded indebtedness
	County of Los Angeles levies assessment on joint tax bill for 1,589 Segment 1 properties
	Federal government signs Full Funding Grant Agreement for Segments 2 and 3 which includes \$75 million benefit assessment commitment

YEAR	EVENT
1997-2012	Metro Board approves levies on Segment 1 assessable property ranging from \$0.265 -\$0.33 per square foot to repay bonded indebtedness
	Amounts collected range from \$885,000 in 1998 to a high of \$20,032,000 in 2005
	Metro retires District A1 bonds in amount of \$123.7 million in 2009, 17 years after first assessment was levied
	Despite establishment of BIDs for Red Line Segments 2 and 3 in 1990, no assessments were levied
	At one point USC asked the Metro Expo Construction Authority to locate the Expo Park Station underground. There was some discussion about setting up a BID, in which USC would be the only property owner, to help fund it. However, USC dropped its request and the station was ultimately constructed at grade, financed the same way as the rest of the line.
	* History and Chronology Chart provided by Stantec