Oct 11 – BAD Rates

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Authority

One Gateway Plaza
Los Angeles, CA
90012-2952

October 11, 2002

TO: BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE
CHIEF EXECUTIVE OFFICER

FROM: JAMES L. de la LOZA, EXECUTIVE OFFICER
COUNTYWIDE PLANNING AND DEVELOPMENT

SUBJECT: NOTICE OF INCREASED FUTURE ASSESSMENT RATES FOR DISTRICTS A1 AND A2

ISSUE

Beginning in FY 2003-04, the assessment rates for both the A1 and A2 Districts are projected to increase up to **$0.37** per assessable square foot. The current rates for the A1 and A2 District are $0.218 and $0.273 per square foot. This represents respective increases of 70% and 36% for the A1 and A2 Districts.

DISCUSSION

The assessment rate is increasing due to planned increases in the scheduled debt service payments. Prior to the sale of the A1 Bonds in 1992, the MTA (previously the Southern California Rapid Transit District) asked downtown property owner groups to indicate the type of assessment rate schedule they would prefer. The alternatives were:

- One flat rate for fifteen years, or
- A two-tiered rate having a lower rate for five years and a higher rate for ten years, or
- A three-tiered rate schedule having two stepped increases.

The Downtown property owner groups requested the three-tiered rate alternative for both the A1 and A2 Districts. The rate projection for the two districts when the bonds were sold in 1992, anticipated rates of $0.17 for the first five years, $0.26 for the next five years, and $0.37 for the final five years. The assessment rate projections were based on certain assumptions. Actual assessment rates are set annually using current information. The assessment rate for both districts during the first five-years, from FY 1992-93 through FY 1997-98, was $0.17 per square foot, matching the initial projection. The rate for the second 5-year period, from FY 1998-99 through FY 2002-03, has been $0.218 per square foot for the A1 District, which is less than the $0.26 projection, and as much as $0.273 for the A2 District, which is slightly more than the $0.26 projection. Rates for the third five-year period are anticipate to match the initially projected rate of $0.37 per square foot.

Four years ago, the newly created downtown Business Improvement District, located in the A1 District, requested that the MTA Board defer a portion of the assessment rate for the A1 District for a five-year period. The Board approved a resolution on February 26, 1997 authorizing the MTA staff to set the assessment rates and directed staff to negotiate with the Bond's insurer (Ambac) to substitute a surety policy for the $15 million cash funded-debt service reserve fund and use those funds to subsidize the A1 District assessments over a period of five years. FY 2002-03 will be the last year in which up to $3 million can be drawn down to reduce the assessment rate. In each of the preceding four (4) years, a drawdown was made and the assessment rates reduced.

NEXT STEPS

In October 2002, Benefit Assessment District Program staff will notify all property owners in the A1 and A2 Districts of the FY 2002-03 rate. Property owners will also be notified of the anticipated increased rates for the years FY 2003-04 through FY 2008-09.

Prepared by: David Sikes, Manager
Benefit Assessment Districts Program

Michael Smith, Assistant Treasurer

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