



Metro

Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

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August 18, 2006

TO: BOARD OF DIRECTORS

THROUGH:

ROGER SNOBLE
CHIEF EXECUTIVE OFFICER

FROM:

CAROL INGE
CHIEF PLANNING OFFICER

SUBJECT:

**CITY OF SANTA MONICA TDA CAPITAL RAIL RESERVE
DRAWDOWN REQUESTS**

ISSUE

The City of Santa Monica has submitted requests that essentially would draw down all of the funding, approximately \$34.8 million, which has been set aside in a Transportation Development Act (TDA) Capital Rail Reserve. With this Board Box item, we are informing the Board of Directors that we are now processing the drawdown requests of approximately \$34.8 million, according to prior Board approval and TDA statutes.

DISCUSSION

The City of Santa Monica has requested that the entire balance of its TDA Capital Rail Reserve be drawn down so that it may purchase the property located at 402 Colorado Avenue in Santa Monica (see Attachment A). The City is purchasing the property or right-of-way parcels in advance of construction of a potential future Downtown/Civic Center terminus station for the Metro Exposition Transit Corridor, which meets the purpose for which the reserve was established.

In November 2004, the Board of Directors approved the City of Santa Monica's initial request that would allow it to purchase the property with a \$30 million drawdown from its TDA Capital Rail Reserve (see Attachment B). According to the City, the purchase price for the property is now \$34,450,000. To pay the purchase price, anticipated closing costs and other related fees, the City will need all of its reserve.

NEXT STEPS

We have begun processing the initial \$30 million drawdown request, and we will begin processing a remaining reserve balance of about \$4.8 million to address the City of Santa Monica's need for all of its TDA Capital Rail Reserve to buy the property located at 402 Colorado Avenue in Santa Monica. We will proceed according to TDA statutes and Metro administrative requirements.

ATTACHMENTS

Attachment A - City of Santa Monica TDA Capital Rail Reserve Drawdown Request
Attachment B - November 2004 Board Report on City of Santa Monica TDA Capital Rail Reserve Drawdown Request



Big Blue Bus
612 Colorado Avenue
Santa Monica, California 90401-2521

City of
Santa Monica

June 21, 2006

Ms. Nalini Ahuja
One Gateway Plaza
Mail Stop 99-23-9
Los Angeles, Ca 90012

Dear Nalini:

The City of Santa Monica's Big Blue Bus is requesting an advance drawdown of the entire balance of its Transportation Development Act (TDA) Capital Rail Reserve for the purchase of the property located at 402 Colorado Avenue, Santa Monica, California. The property will eventually provide a Downtown/Civic Center terminus or station for the future Metro Exposition Transit Corridor Light Rail Line.

Santa Monica is proceeding with the acquisition given the volatility in the real estate market that has seen significant increases in recent years. The City of Santa Monica fully intends to reserve the property for light rail development and will hold the property until LACMTA approves the rail route alignment and the appropriate transportation use of the property.

On June 13, 2006, Santa Monica's City Council authorized the City Manager to negotiate and execute a Purchase and Sale Agreement with Sears Holdings Company to acquire said property. The Council action included approval of a resolution adopting a negative declaration regarding the property acquisition. The City of Santa Monica recognizes that additional environmental analysis will be required when Metro proceeds with its rail planning efforts in the future.

The advance drawdown request is for the entire balance of the TDA Capital Rail Reserve to cover the purchase price, anticipated closing costs and other related fees. The purchase price, which includes the escrow deposit of \$709,000, is offered at \$34,450,000. As with any real estate purchase, the escrow deposit of \$709,000 is required upon the opening of escrow which is expected to occur within ten days from date the Letter of Intent is executed. A (60) day escrow to complete the purchase is anticipated.

As of June 30, 2005, the MTA has in its reserves \$34,846,062 in TDA Rail Reserve held for the Big Blue Bus. Using the interest rates provided by the Los Angeles County Auditor's Office, Big Blue Bus staff estimated \$958,690.75 in accrued interest on this fund for the period July 1, 2005 thru March 31, 2006.

In addition to the advance drawdown request, I am requesting a waiver to LACMTA's TDA drawdown reimbursement policy in order to have the TDA Capital Rail Reserve funds available for the land purchase at close of escrow. The advance drawdown would not impact LACMTA negatively as all interest on Big Blue Bus' TDA Capital Rail Reserve accrues to the account. The advance payment of funds would have a positive impact on the City's liquidity during the escrow period for this acquisition. Should the transaction not close, all unused funds will be returned to LACMTA.

We are submitting the following supporting documents for this advance drawdown:

1. Attachment A – Copy of the Staff Report (Agenda Item 8A) dated June 13, 2006
2. Attachment B – Copy of the Minutes of City Council Meeting June 13, 2006
3. Attachment C – Copy of the Letter of Intent executed June 19, 2006

We hope that this allows your office to release Big Blue Bus' TDA Capital Rail Reserve fund as soon as possible. If you have any question regarding this claim, please give me a call at (310) 458-1975 ext 5846.

Sincerely,



Stephanie Negriff
Director of Transit Services
Big Blue Bus

Cc: Rufus Cayetano



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PLANNING AND PROGRAMMING COMMITTEE

November 17, 2004

**SUBJECT: CITY OF SANTA MONICA TDA CAPITAL RAIL RESERVE
DRAWDOWN REQUEST**

**ACTION: APPROVE DRAWDOWN REQUEST FOR ADVANCE RIGHT-OF-
WAY PURCHASE FOR METRO EXPOSITION TRANSIT CORRIDOR**

RECOMMENDATION

- A. Approve a request from the City of Santa Monica for \$30 million from its Transportation Development Act (TDA) Capital Rail Reserve, so that it may purchase right-of-way parcels in advance of construction of a potential future Downtown/Civic Center terminus station for the Metro Exposition Transit Corridor. Approval is subject to Santa Monica maintaining the purchased property for transit-related use until the terminus station is constructed.
- B. Amend the Fiscal Year (FY) 2004-05 Budget to include expenditures and revenues of \$30 million of TDA Capital Rail Reserve funds for payment to Santa Monica.

ISSUE

The City of Santa Monica has requested \$30 million from its TDA Capital Rail Reserve, so that it may purchase right-of-way parcels in advance of construction of a potential future Downtown/Civic Center terminus station for the Metro Exposition Transit Corridor.

FINANCIAL IMPACT

The FY 2004-05 Budget will be amended to include \$30 million of expenditures and revenues in Project #410053 TDA Formula Subsidies, Task 01.10 TDA Prior Year Article 4, cost center #0441. The source of funding will be the TDA Capital Rail Reserve funds that have been allocated to Santa Monica in previous years but held in reserve for future use. Staff completed a review of Santa Monica's request after the Board of Directors had adopted the FY 2004-05 Budget. The Rail Reserve consists of TDA Article 4 funds that the MTA allocated to Santa Monica in previous years, according to TDA statutes.

POLICY IMPLICATIONS

TDA statutes allow the MTA, as the "transportation planning agency" for Los Angeles County, to place TDA funds in a reserve for a "claimant", such as the City of Santa Monica,

for a "specified capital project". The specified capital project in this instance is the Metro Exposition Transit Corridor Project, which the MTA has identified in its Long Range Transportation Plan for Los Angeles County. There are also outstanding commitments concerning the Santa Monica Rail Reserve that need to be considered. Currently, Santa Monica is one of eight Los Angeles County claimants that have TDA Article 4 Capital Reserves, which collectively total \$131.4 million (see Attachment A).

Outstanding Commitments Between the MTA and City of Santa Monica

By agreement executed on September 4, 1984, the former Los Angeles County Transportation Commission (LACTC) and the City of Santa Monica agreed to establish a capital funding reserve that would be used for "rail capital and planning purposes within the City." The agreement further defined that funds held in the reserve would be used "... for the construction of rail projects within the City, including rail planning and engineering, right-of-way and land acquisition, station construction, and other rail capital purposes." The agreement contains reprogramming provisions, should the funds be needed for specific bus transit purposes. These provisions also allow the LACTC (now MTA) and Santa Monica to renegotiate the agreement should the two agencies "not make a firm commitment to begin construction of a rail project in Santa Monica within ten years of the date of this Agreement.."

By letter agreement dated May 15, 1987, the former LACTC and the City of Santa Monica agreed to limit annual contributions to the Rail Reserve to \$1 million and to allow carryover of TDA funds. The letter agreement also allowed additional funds to be contributed to the Rail Reserve whenever the LACTC approved a specific project for Santa Monica. Santa Monica made its last contribution to its Rail Reserve in FY 1998.

OPTIONS

The Board of Directors may choose not to approve the recommendation and instead choose to delay or deny approval of Santa Monica's request. Staff does not recommend either of these options. The advance purchase of right-of-way parcels for a transit project is well within the eligibility requirements contained in TDA statutes and outstanding commitments between the MTA and the City of Santa Monica. Santa Monica now has the unique and timely opportunity to purchase right-of-way parcels that could be used as part of a Downtown/Civic Center terminus station for the planned Metro Exposition Transit Corridor. Acquisition of the site now is a prudent action to protect against cost inflation and to provide a guarantee that the site will be available when it is needed for the future project.

BACKGROUND

In June 2004, the City of Santa Monica submitted a revised TDA Claim for FY 2003-04 that essentially requested the MTA to allow Santa Monica to draw down \$30 million from its TDA Capital Rail Reserve. The Rail Reserve includes contributions made from Santa Monica's TDA Article 4 allocations and interest earned from 1984 to the present. Santa Monica made its last contribution in FY 1998, and currently its Rail Reserve has \$34 million. Santa Monica has indicated that it wants to use \$30 million from its Rail Reserve to purchase right-of-way parcels in advance of construction of a potential future Downtown/Civic Center terminus station for the Metro Exposition Transit Corridor.

After reviewing Santa Monica's revised TDA Claim, staff requested that Santa Monica provide additional information on the proposed advance right-of-way purchase for the Metro Exposition Transit Corridor. Santa Monica provided the requested information in July 2004.

TDA Funding

The Transportation Development Act creates a Local Transportation Fund (LTF) in each county for transportation purposes specified in the Mills-Alquist Deddeh Act, also known as the Transportation Development Act, California Public Utilities Code Section 99200. Revenues are derived from a ¼-cent of the 7.25-cent retail sales tax collected statewide. The State Board of Equalization returns the ¼-cent to each county according to the amount of tax collected in that county. The County of Los Angeles holds the ¼-cent TDA funds and distributes them as the MTA may direct.

Under the provisions of TDA Article 4, the MTA allocates up to 93% of the total available Los Angeles County TDA funds to its Metro Operations and to eligible Municipal Operators for bus capital and operating expenses. TDA Article 4 funds are allocated annually through the Transit Allocations Funds process, and they are subject to the Formula Allocation Procedure that is based on vehicle service miles and fare revenue. As an eligible Municipal Operator, Santa Monica receives allocations of TDA Article 4 funds, a portion of which Santa Monica has contributed to its TDA Capital Rail Reserve.

Santa Monica's Request to Purchase Property

In its July 2004 response, Santa Monica indicated that the \$30 million requested would be used to purchase commercial lots identified in the April 2002 [Santa Monica] Civic Center Conceptual Land Use Plan for light rail transit station development. The multiple right-of-way parcels are located on a single block and total approximately 145,000 square feet. The area was first identified in the Civic Center Conceptual Land Use Plan in April 2002. During September 2003 and January 2004, the Santa Monica City Council authorized City staff to negotiate for the acquisition of these parcels, which are now being appraised. Santa Monica is doing its due diligence with pre-acquisition activities.

Santa Monica has prepared an initial study and provided public notice of its intent to issue a Negative Declaration regarding the environmental effect of the acquisition. Consideration of the purchase is expected by Spring 2005. Santa Monica will need the \$30 million when the purchase agreements for the parcels have been properly executed.

Review of Proposed Property to Be Purchased With Rail Reserve Funds

In June 2001, the Board of Directors approved the Mid-City/Westside Transit Corridor Draft Environmental Impact Statement/Environmental Impact Report (EIS/EIR), which included the consideration of bus rapid transit (BRT) and light rail transit (LRT) stations in Santa Monica. The Board adopted a Locally Preferred Alternative of light rail transit from Downtown Los Angeles to Culver City. The Board did not select either a route or mode between Culver City and Santa Monica, although the Board did express intent to complete the project to Santa Monica in the future.

The Draft EIS/EIR included a Downtown/Civic Center Santa Monica LRT Station on the south side of the Route I-10 Freeway between Ocean Avenue and Main Street. BRT stations were also included near this site. In August 2001, the City of Santa Monica asked the MTA to evaluate the feasibility of two alternative sites:

- Option A – the first alternative site was located on the north side of the Route I-10 Freeway between Main Street and Fourth Street on the site of the Sears Department Store; and
- Option B – the second alternative site was located on the north side of the Route I-10 Freeway between Fourth Street and Fifth Street on the site of the Sears Auto Center.

The above Option B site is the location that is being proposed for purchase by the City of Santa Monica. The MTA analysis conducted in August 2001 determined that all of the sites (DEIS preferred, Option A and Option B) were feasible from an engineering perspective for a future light rail or bus rapid transit project.

Because all three sites are feasible from an engineering perspective, the key determinant in the selection of a preferred site becomes the availability of land. The City of Santa Monica has considered sites for the future transit station as a part of the Civic Center Master Plan and other planning studies and has determined that the Option B site is the preferred site for a future transit station to serve Downtown Santa Monica.

Therefore, as staff could support any of the above sites for the future Metro Exposition Transit Corridor Project, the Option B site can be supported as the preferred site based on availability of the property and compatibility with local planning criteria. Acquisition of the site now is a prudent action to protect against cost inflation and to provide a guarantee that the site will be available when it is needed for the future project.

NEXT STEPS

Once the Board of Directors approves the recommendation, staff will await notification from Santa Monica that the purchase agreements for the parcels have been properly executed. Staff will process Santa Monica's request for the \$30 million from its Rail Reserve according to TDA statutes and MTA administrative requirements.

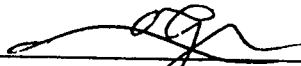
Prepared by: Nalini Ahuja, Director of Local Programming
David Mieger, Director, Westside Area Team
Frank Flores, Deputy Executive Officer, Programming and Policy Analysis

ATTACHMENTS

1. Attachment A – TDA Article 4 Reserve Balance Summary for Capital Projects



James L. de la Loza
Chief Planning Officer
Countywide Planning and Development



Roger Snoble
Chief Executive Officer

TDA Article 4
RESERVE BALANCE SUMMARY FOR CAPITAL PROJECTS
As of October 7, 2004

AGENCY	RESERVE BALANCE	CAPITAL PROJECTS
Culver City Municipal Bus Lines	\$19,866	Preventive maintenance, bus components and rehabilitation, bus stop improvements, computer equipment, and miscellaneous transit capital equipment.
Foothill Transit	\$20,863,843	Covina Transit Center, Covina Administration Offices, COP payments, destination sign replacements, floor repair - Pomona Center, bus stop enhancement, and El Monte Station Rehabilitation.
Gardena Municipal Bus Lines	\$4,542,281	Bus window & body rehabilitation, purchase expansion buses (gasoline hybrid), purchase of 150 bus stop trash receptacles, purchase engine rebuilds, transit facility project, bus tire purchase, and expansion buses.
Long Beach Transit	\$5,849,522	Bus components, bus rehabilitation, bus stop amenities, facility improvements, fleet replacement, office equipment, safety equipment, tire lease, and radio/advance communication system.
Los Angeles County MTA	\$24,219,717	Capital Program, including bus-related capital projects.
Montebello Bus Lines	\$3,352,596	Associated capital maintenance, transit coach tires, technology systems software, office furniture/computer & transit equipment, shop tools and equipment, and radio equipment.
Santa Monica Big Blue Bus	\$38,099,159	Facility improvements, revenue equipment, bike racks, yard improvements, fare collection system, computer enhancements, radio system, and miscellaneous bus projects.
Santa Monica - Rail	\$34,145,541	Exposition transit corridor improvements and rail capital projects.
Torrance Transit	\$347,591	COP payment, transit enhancements, facility modifications, preventive maintenance, support equipment-engines and transmissions.
TOTAL	\$131,440,116	