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Metropolitan Transportation Authority

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**FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 18, 2013**

SUBJECT: ARTS DISTRICT BUSINESS IMPROVEMENT DISTRICT

**ACTION: PARTICIPATION IN THE ARTS DISTRICT LOS ANGELES BUSINESS
IMPROVEMENT DISTRICT**

RECOMMENDATIONS

- A. Authorize the Chief Executive to sign a petition to establish the Art District Los Angeles Business Improvement District (“BID”); and
- B. Authorize the Chief Executive Officer or his delegate to sign any necessary petition and cast any subsequent ballots in support of the BID and property assessments.

ISSUE

The Arts District Los Angeles Business Improvement District Steering Committee is one of two entities seeking to establish a new Property-based Business Improvement District. This BID will replace the previous Arts District BID which was recently disbanded. The new BID is proposed to improve and convey special benefits to properties located within the BID area and will provide new and continued improvements and activities. MTA has been asked to sign a petition to establish the BID. MTA participated in the original Arts District BID from its inception to 2013.

DISCUSSION

Establishment of the BID is a two step process that includes (1) submission of favorable petitions from property owners representing more than 50% of total assessments to be paid; and (2) return of mail ballots evidencing a majority of ballots casted in favor of the assessment. The Bid will have a five (5) year life beginning January 1, 2014 and ending December 31, 2018 and will be governed by an Owner’s Association which will oversee the day to day implementation of services as defined in the BID’s Management District Plan. MTA has previously held a non-voting membership on the Board of the Owner’s Association. The BID’s Safe Team program will address crime prevention for properties in the District and may include bicycle patrol, night vehicle patrol and foot

patrols. The Enhanced Clean Programs may consist of sidewalk sweeping, sidewalk pressure washing graffiti and handbill removal, trash removal, landscape programs and tree trimming. The detailed services to be provided by the BID are included in the Art's District Los Angeles Business Improvement District Management District Plan. (Copy of Plan available in departmental files). The area of the BID is bounded generally by the southern boundary of the 101 Freeway on the north, the Los Angeles River on the east, portions of 7th Street and Produce Street on the south, and Alameda Street, North Garey and South Garey on the West (See Attachment 1 – Arts District Business Improvement District Boundaries and Attachment 2 – Business Improvement District Map).

MTA has supported the formation of BIDS when the service or improvements provided a direct benefit to MTA property, employees and customers. Under Proposition 218, the assessing agency that proposes an assessment identifies all parcels that will receive a special benefit. The special benefit for each parcel is determined by: (1) the relationship of the capital cost of a public improvement; (2) the maintenance and operation of a public improvement; or (3) the cost of the property related services being provided. No assessment can be imposed on any parcel that exceeds the reasonable cost of the proportional special benefit on that parcel. All publicly owned parcels are required to pay their proportional share of costs based on the special benefits conferred to those individual parcels. Only special benefits are assessable. The BID considers the special benefit to government assessed parcels to be an increase in District customers, an increased likelihood of attracting and retaining employees that follow from having a cleaner and safer area, increased use of the public facilities, increased attraction and retention of employees which directly relates to fulfilling their public service mission. Proposition 18 provides that "parcels within a district that are owned or used by any agency....*shall not be exempt from assessment unless the agency can demonstrate by clear and convincing evidence that the property will receive no benefit.*"

The MTA Board adopted Guidelines on LACMTA Participation in Proposed Assessment Districts ("Guidelines") in June 1998. The Guidelines require staff to analyze each assessment district and/or improvement based on whether they improve MTA property or facility, benefit MTA employees, benefit Metro's passengers, or reduce costs for the agency. Staff is to provide the Board with an analysis, on a case by case basis, that determines whether MTA property benefits from the proposed services or improvements; and whether the benefit to the property exceeds the cost of the assessment. An evaluation of the BID's benefits to MTA is attached. (See Attachment 3)

DETERMINATION OF SAFETY IMPACT

The Board action will not have an impact on safety standards for Metro. However, the BID's safety program will increase safety and crime prevention in the area around LACMTA owned properties.

FINANCIAL IMPACT

LACMTA's assessment for the Year 2014 under the proposed BID is estimated to be \$98,383.34 and represents 8.88% of the BID. However approximately 7.75% of the MTA assessment is attributed to the Red Line Yard/One Santa Fe site. MTA will coordinate with the developer of One Santa Fe to pay their prorata share of the assessment. The assessments will be subject to annual increases not to exceed 5% per year. Increases will be determined by the District Owner Association and is projected to vary between 0 and 5% in any given year. Assuming a 5% increase per year, the total cost to LACMTA over the 5 year term of the BID is estimated to be \$543,629.00. The funding to participate in this BID will be included in the FY15 budget in Cost Center 0651, Project No. 306006, Account No. 50799 (Taxes). Funds for subsequent years will be budgeted annually.

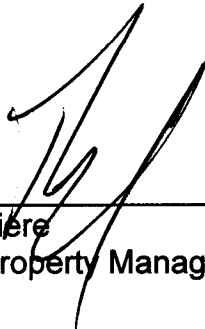
ALTERNATIVES CONSIDERED

MTA could refrain from signing the petition and vote "No" if a sufficient number of property owners sign the petition to bring the BID to a vote. This alternative is not recommended. Based on the evaluation of the benefits to MTA, participation in the BID is recommended.

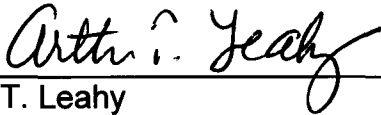
ATTACHMENTS

- Attachment A. Arts District Los Angeles Business Improvement District Boundaries
- Attachment B. Map of District
- Attachment C. Evaluation of Arts District Benefit to MTA
- Attachment D. Summary of MTA owned parcels included in the Arts District BID

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ATTACHMENT A

Arts District Los Angeles Business Improvement District Boundaries

The Arts District Los Angeles Business Improvement District includes all property within a boundary formed by:

The proposed Arts District Los Angeles Business Improvement District area contains all property within the following boundary description: Beginning on the southeast corner of Alameda Street and the 101 Freeway go east along the southern boundary of the 101 Freeway right of way to the Los Angeles River. At the Los Angeles River go south along the western boundary of the Los Angeles River to 7th Street. Turn west on 7th along the south property line of properties on the north side of 7th Street to the intersection with the west property line of parcel 5164-019-018. Turn north along the west parcel line of parcels facing on the west side of Santa Fe Avenue to the intersection with the south parcel line of parcels facing on the south side of 6th Street. Turn west along the south parcel line of parcels facing on the south side of 6th Street to the intersection with Alameda Street. Go north on Alameda St to the intersection at 3rd Street. At 3rd St. turn eastbound, then north along the western boundary of parcel 5163-009-006. Go west along the northern property line of parcels 5163-009-006 and 004. Go north on Rose St until the intersection of Traction Avenue. Go southeast on Traction, then turn east along 3rd Street until the western property line of parcel 5163-007-010. Turn north at the western property line of parcel number 5163-007-010, follow this to the northern property line of parcel 5163-007-010. Turn east along the north property line of parcel 5163-007-010 to Garey Street. Turn north on Garey St to the intersection with 2nd Street. Turn west on 2nd Street until parcel 5163-003-019. Turn north along the western property lines of parcels 5163-007-019, 016, 014, 013, 011, 010, 009, 008, 006. Go east along the northern property line of parcel 5163-007-006. Continue east across Garey St. along the northern property lines of parcels 5163-004-004, 006, 011, and 007. Turn north on Vignes Street through the intersection at 1st Street. Continue north on Vignes St. to parcel 5173-013-014 and turn east along the northern property line of this parcel, then south along the eastern line of this parcel. Turn east on 1st Street to the western property line of 5173-013-020, then north along that parcels western property line to Banning Street. Turn west on Banning St., then north on Vignes St. to Temple Street. Go west on Temple until Garey St. Go north on Garey St. to Ducommun Street. Go west on Ducommun St. until Alameda St. Turn north on Alameda Street until the beginning point at the intersection with the 101 Freeway.

ATTACHMENT B

ARTS DISTRICT LOS ANGELES BUSINESS IMPROVEMENT DISTRICT BOUNDARIES



□ B.I.D. PROPERTIES (PROPERTY BASED)
— B.I.D. BOUNDARY

ARTS DISTRICT PROPERTY AND BUSINESS IMPROVEMENT DISTRICT

★ BUSINESS IMPROVEMENT DISTRICT
Not to Scale

**EVALUATION OF ARTS DISTRICT 2012-201 PROPERTY BASED
BUSINESS IMPROVEMENT DISTRICT
BENEFIT TO LACMTA**

Evaluation of Benefits to MTA

The proposed BID includes ten (10) parcels owned by MTA. The largest group of parcels are improved with the Metro Red Line Yards and Shops that contain approximately 40 acres of land and includes the One Santa Fe housing project that is currently under construction. Other improved properties owned by MTA are 628 Aliso Street and 410 Santa Fe (See Attachment 4 for list of MTA Owned parcels). Properties outside of the yards and shops area that are not improved, are not occupied by MTA employees and are vacant lots used in support of operations or construction Projects will not be included in the BID.

The total proposed District budget for the 2014 year of operation is approximately \$1,128,536. Assessments will be subject to annual increases not to exceed 5% each year which if implemented, the five year term of the BID is expected to be approximately \$6,235,863. The budget will cover improvements, activities and services which include (1) enhanced safety programs such as bicycle patrol, night vehicle patrol and foot patrol in the area; and (2) enhanced clean programs such as sidewalk sweeping, sidewalk pressure washing graffiti and handbill removal, trash removal, landscape programs and tree trimming. The proposed Arts BID assessment to MTA is estimated to be \$98,383.34 which is approximately 8.88%% of the total BID assessment.

Analysis of Benefit to MTA

The Guidelines on MTA Participation in Proposed Assessment Districts (“Guidelines”) established general guidelines for determining benefits to MTA properties as outlined below. A list of MTA properties included in the proposed BID is attached, with an indication of the benefit to MTA according to MTA’s guidelines. (Attachment 4). The guidelines requires an analysis of each new assessment district service and/or improvement based on whether it improves MTA property or facility, benefit MTA employees, benefit the MTA riding public or reduce costs for the MTA.

Following is the analysis of benefits to MTA from the Arts District Los Angeles Business Improvement District based on the Guidelines.

TIER 1 – NO BENEFIT

- Subsurface easements
- Aerial easements
- Right of Way – West Bank Railroad Right of Way used by Metrolink
- Vacant Land – Vacant lot used to store contaminated soil from construction projects

TIER 2 – MINOR OR NO POTENTIAL BENEFIT

- Parking Lots

TIER 3 – MINOR OR SOME POTENTIAL BENEFIT

- Bus Division – None
- Bus Terminals – Bus storage site located at 410 center street
- Customer Service Centers - None
- USG Headquarters Building – None
- Maintenance Facilities – Red Line Yards and Shops
- Rail Division – Red Line Yards and Shops
- Rail Terminus –Red Line Terminus
- Stations – None
- Miscellaneous Building – 628 Aliso Street used for material storage—employees access periodically.

LACMTA property located along Santa Fe Avenue, Alameda Street and Commercial Street receive the benefit of enhanced security patrol in the general area. The BID's removal of graffiti will benefit the properties at 628 Aliso and 410 Center Street as they have street frontage and may experience tagging along the exterior of the building or fence. The overall improvement of the District makes the area around LACMTA's property more attractive to development which results in an increase to overall property values in the area of LACMTA's facilities. Support for the Arts District BID will continue the enhanced security, maintenance programs that are above and beyond services currently provided by the City of Los Angeles in the area.

TIER 4 – ACTUAL BENEFITS

Joint Development Projects – The One Santa Fe Development Project is currently under construction. The long-term ground lease includes a Possessory Interest provisions that requires the master tenant to be subject to the payment of any special benefit assessment based on their possession of the property.

LACMTA Benefits – LACMTA parcels located on railroad right of way that do not contain any street frontage do not benefit from the Arts District BID and will not be assessed. The LACMTA Property fronting on a public street benefits from the Arts District services and pay 100% assessment if it is determined that it has some potential benefit. The services provided are categorized as Safe and Clean Programs. The Safe Team Program includes security services in the form of patrolling bicycle personnel and car nighttime vehicle patrols. The purpose of the Safe Team Program is to prevent, deter and report illegal activities taking place on the streets, sidewalks, storefronts, parking lots and public alleys. The presence of the Safe Team Program is intended to deter such illegal activities as public urination, indecent exposure, trespassing, drinking in public, prostitution, illegal panhandling, illegal vending, and illegal dumping. The special benefit to assessed parcels from these services increase the likelihood of increased commercial activity in the area which will provide a benefit to MTA employees. The Clean Program will provide sidewalk cleaning by uniformed, radio equipped personnel who will sweep litter, debris and refuse from sidewalks, and gutters and pressure wash the sidewalks. Collector truck personnel will collect trash from sidewalk trash receptacles as needed. Graffiti will be removed by painting, using solvent and pressure washing. The District will maintain a zero tolerance graffiti policy and to remove all tags within 24 hours on weekdays.

Implementation of the BID will not decrease MTA's maintenance expenses associated with the properties except in the area of sidewalk maintenance and graffiti removal from building and walls/fences fronting on Center Street and Commercial Street.

The District will enhance the environment of the area around the One Santa Fe Development and will in all likelihood increase the desirability of the location and increase the rental potential of the housing units.

ATTACHMENT D

SUMMARY OF MTA PARCELS INCLUDED IN ARTS DISTRICT BID

ASSESSOR NO.	OWNER	ADDRESS	ASSESSMENT AMOUNT	%	BENEFIT
5163-017-900	MTA	One Santa Fe and Red Line Yard – Division 20	\$85,811.02	7.75%	Tier 3 and Tier 4 Benefit
5173-001-901	MTA	Alameda and Commercial Street	\$1,525.38	0.14%	Tier 3 Benefit
5173-001-902	MTA	Portion of Alameda and Commercial Street	\$211.84	0.02%	Tier 3 Benefit
5173-019-901	MTA	628 Aliso Street – Storage Building	\$1,154.41	0.10%	Tier 3 Benefit
5173-019-902	MTA	Area behind 628 Aliso Street	\$631.05	0.06%	Minor Tier 3 Benefit
5173-019-903	MTA	Alley adjacent to 628 Aliso Street	\$457.55	0.04%	Minor Tier 3 Benefit
5173-021-902	MTA	410 Center St	\$2,950.55	0.27%	Tier 3 Benefit
5173-021-903	MTA	410 Center St	\$1,111.66	0.10%	Tier 3 Benefit
5173-021-905	MTA	410 Center St	\$3,899.02	0.35%	Tier 3 Benefit
5173-021-906	MTA	410 Center St	\$630.87	0.06%	Tier 3 Benefit
	TOTAL MTA		\$98,383.34	8.88%	