



Board Report

File #: 2016-0252, File Type: Policy

Agenda Number: 16

PLANNING AND PROGRAMMING COMMITTEE APRIL 13, 2016

SUBJECT: HOLLYWOOD WESTERN BUSINESS IMPROVEMENT DISTRICT

ACTION: AUTHORIZE PARTICIPATION IN THE HOLLYWOOD WESTERN BUSINESS IMPROVEMENT DISTRICT

RECOMMENDATION

CONSIDER:

- A. SUPPORTING the establishment of the proposed **Hollywood Western Business Improvement District (“BID”) in the City of Los Angeles** and the resulting assessments on properties within the District boundaries owned by Metro; and
- B. AUTHORIZING 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 Metro Board adopted the General Guidelines for Metro 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 Metro property or facility, benefit Metro 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 Metro property benefits from the proposed services or improvements; and whether the benefit to the property exceeds the cost of the assessment. Based on the guidelines, the Board must determine whether or not to participate in the proposed district.

Establishment of the District 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 cast in favor of the assessment. As a property owner in the proposed District, Metro has received notice of the establishment of the District and has been requested to sign a Petition to establish the District and to ultimately vote to in favor of the assessment.

POLICY IMPLICATIONS

Proposition 218, which was approved in November 1996, requires that all public property previously

exempted from business improvement district assessments be assessed, unless the public agency can demonstrate that the property will receive no benefit.

DISCUSSION

The Hollywood Western BID is a property-based benefit assessment type district being established for a five (5) year term pursuant to the California Street and Highway Code (as amended). The BID is proposed to improve and convey special benefits to assessed properties located within the District area. The District will provide new improvements and activities, including clean/safe, marketing/communications, and administration of programs designed to meet the goals and mission of the District. The goals of the District are to improve the economic viability of each individual assessed parcel within the District, to increase building occupancy and lease rates, to encourage new business development and attract ancillary businesses and services for parcels within the District.

The Metro has four properties located in the proposed District which comprise the Hollywood/Western Metro Red Line Station. A map showing the BID Boundary is attached as Attachment A.

Pursuant to the existing Guidelines, it is necessary for the Board to authorize Metro's support of the establishment of a new BID and to authorize the signing of any necessary petitions and ballots to participate in the BID. The Guidelines requires staff to analyze each new assessment district services and/or improvements based on whether it (1) improve Metro property or facility; (2) benefits Metro employees; (3) benefit the riding public; or (4) reduce costs for the Metro. The anticipated annual assessment to Metro is expected to be approximately \$16,792.01 which represents 2.20% the BID. An evaluation of the benefits that the Hollywood/Western BID will provide to the Metro Property is included in Attachment B.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

Metro's estimated annual assessment for the Year 2017 under the proposed BID is \$16,792.01. The funding to participate in this BID is covered in the FY17 budget in Cost Center 0651, Account No. 50799 (Taxes). Metro has ground leased the majority of the Metro Hollywood Western Red Line Station site to Western/Carlton II, L.P., a McCormack Baron Salazar development entity. Under this ground lease, Western Carlton II operates a mixed use project containing 60 affordable apartments and 9,000 square feet of retail space, which it constructed in 2009. The ground lease obligates Western/Carlton II to pay all real estate taxes, special assessments and other taxes, levies, and impositions attributable to their project and the ground leased premises. Staff will coordinate with Western Carlton II to ensure that they pay their share of any assessment attributable to the mixed use project or the ground leased premises, in accordance with the ground lease.

The BID assessments will be subject to annual increases not to exceed 5% per year. Increases will be determined by the District Owner Association and are projected to vary between 0% and 5% in

any given year. Assuming a 5% increase per year, the total cost to Metro over the 5 year term of the BID is estimated to be in the range of \$92,686.00. The funding to participate in this BID will be included in Cost Center 0651, Project No. 306006, Account No. 50799 (Taxes). Funds for subsequent years will be budgeted annually. Funds will be included in the annual budget to cover Western Carlton II's share, in the event the ground lease is terminated.

Impact to Budget

The source of funds for this request will be General Fund Lease Revenues. These funds are eligible for bus or rail operations or capital expenditures.

ALTERNATIVES CONSIDERED

The formation of the BID requires favorable petitions from property owners representing more than 50% of total assessments to be paid and the return of mail ballots evidencing a majority of ballots cast in favor of the assessment. Ballots are weighted by each property owner's assessment as proportionate to the total proposed District assessment amount. The Property owned by Metro represents 2.20% of the total Bid. If Metro does not support the BID by signing the petition and casting a ballot, it is possible that the BID will not be established. It will take more individual private property owners to support the BID, if Metro does not vote to participate in the BID.

Metro has supported the formation of BIDs when the service or improvements provided a direct benefit to Metro 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.*"

NEXT STEPS

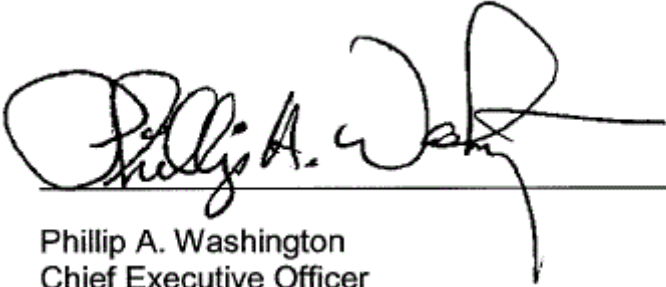
If the recommendation is approved, staff will sign the petition and subsequently cast a ballot for the establishment of the BID.

ATTACHMENTS

- Attachment A - Arts District Los Angeles Business Improvement District Boundaries
- Attachment B - Evaluation of Hollywood Western BID Benefit to Metro
- Attachment C - Summary of Metro owned parcels included in the Hollywood Western BID

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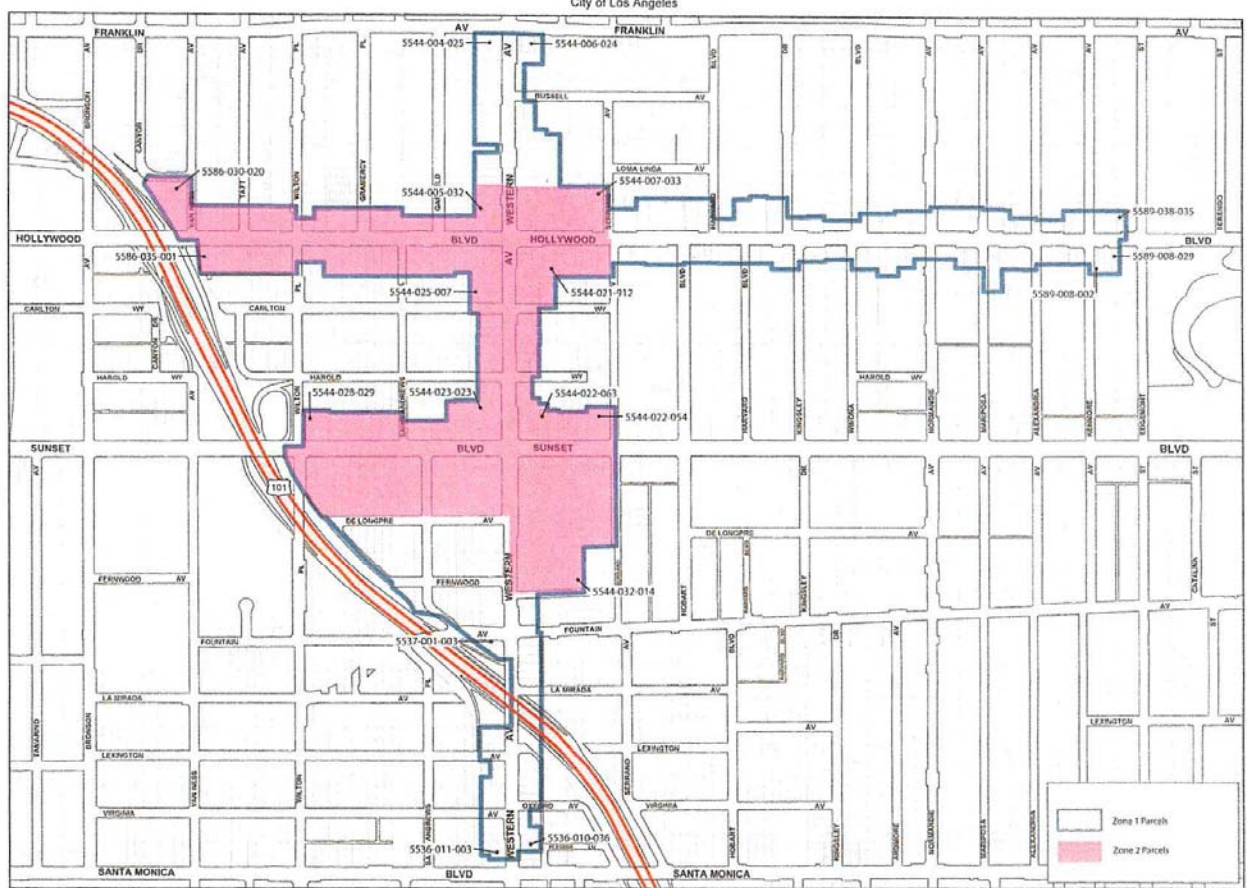


Phillip A. Washington
Chief Executive Officer

ATTACHMENT A

ARTS DISTRICT LOS ANGELES BUSINESS IMPROVEMENT DISTRICT BOUNDARIES

Proposed Hollywood/Western BID



**EVALUATION OF HOLLYWOOD/WESTERN 2017 - 2021 PROPERTY BASED
BUSINESS IMPROVEMENT DISTRICT
BENEFITS TO MTA**

Program Benefits

The proposed BID includes four (4) parcels owned by MTA. The parcels comprise the Hollywood/Western Metro Red Line Station. The combined land area of the four parcels is 55,576 square feet.

The total proposed District budget for the 2017 year of operation is approximately \$772,200.00. Assessments will be subject to annual increases not to exceed 5% each year if implemented. The BID is proposed to improve and convey special benefits to assessed properties located within the District area. The District will provide new improvements and activities, including clean/safe, marketing/communications, and administration of programs designed to meet the goals and mission of the District. The goals of the District are to improve the economic viability of each individual assessed parcel within the District, to increase building occupancy and lease rates, to encourage new business development and attract ancillary businesses and services for parcels within the District.

Through a series of meetings with property owners, the District Steering Committee determined the priority for improvements and activities to be delivered by the business improvement district. The primary needs as determined by the property owners were: clean/safe and communications/marketing. In addition, property owners in Zone 2 determined that they need safety services for their parcels. (MTA parcels are located in Zone 2).

The *Clean and Beautiful Program* will consist of sidewalk sweeping to remove debris and refuse from sidewalks; sidewalk pressure washing; graffiti removal by painting, using solvent and pressure washing; trash collection including collecting stolen shopping carts and large bulky items illegally dumped in the District; landscape maintenance and street tree trimming including weed abatement. The detailed services to be provided by the BID are included in the Hollywood Western Business Improvement District Management District Plan. (Copy of Plan available in departmental files).

The *Safe Team Program* will provide security services for the individual assessed parcels located within Zone 2 of the District in the form of walking and mobile patrols. The purpose of the Safe Team Program is to deter and report illegal activities such as public urination, indecent exposure, trespassing, drinking in public prostitution, illegal panhandling, illegal vending and illegal dumping for individually assessed parcels. The

program will supplement, not replace, other ongoing police, security and patrol efforts within the District.

The *Communication/Marketing Program* will include a Hollywood Western BID Web Site, newsletter, banners/Medallions and image marketing aimed at increasing awareness of the businesses within the district and their individual offerings which attract new customers to the District businesses and provides an increase in commercial activity which directly relates to increases in lease rates and enhanced commerce.

Evaluation 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 assessment to each parcel. 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 Hollywood/Western District Business Improvement District based on the Guidelines.

TIER 1 – NO BENEFIT

- Subsurface easement – Not Applicable
- Aerial easements – Not Applicable
- Right of Way
 - The transit facility in the Hollywood/Western BID area consists of the Metro Red Line Hollywood/Western Station. MTA has ground leased the majority of the station site to Western/Carlton II, L.P., a McCormack Baron Salazar development entity. Under this ground lease, Western Carlton II operates a mixed use project containing 60 affordable apartments and 9,000 square feet of retail space, and is responsible for maintenance of the ground leased premises and the project. The plaza areas leading to the subway portal and the project are not part of the ground leased premises or the project and are maintained by MTA.

TIER 2 – MINOR OR NO POTENTIAL BENEFIT

- Vacant Land – Not Applicable
- Parking Lots – Not Applicable

TIER 3 – MINOR OR SOME POTENTIAL BENEFIT

- Bus Operating and Maintenance Facility – Not Applicable
- Bus Terminals – Not Applicable
- Customer Service Centers – Not Applicable
- USG Headquarters Building – Not Applicable
- Maintenance Facilities – Not Applicable
- Rail Division – Not Applicable
- Rail Terminus – Not Applicable
- Stations – The Metro Red Line Station is located in the District

TIER 4 – ACTUAL BENEFITS

The Metro Station parcels will receive special benefits from the establishment and services provided by the District. Since MTA's Metro Red Line Station is located in the District, the station property will benefit from programs that work to provide greater pedestrian traffic, an enhanced sense of safety and a positive user experience which increase ridership. The Station area will benefit from the District's Clean and Beautiful program which will create a cleaner and more welcoming environment for customers, patrons, tenants, visitors and employees. The program will improve aesthetic appeal for patrons, visitors and employees of the area by reducing litter and debris which are detractors to commerce and commercial occupancy rates if not contained and properly managed. The safety program is designed to improve security for patrons, visitors and employees of the assessed parcels by reducing crime in the area. All of the programs that will be funded through the BID are designed to improve the conditions of the area and to provide supplemental programs, services and improvements that are not currently provided by the City of Los Angeles.

A large portion of MTA's assessment will be paid by Western/Carlton II, pursuant to their ground lease with MTA. Under the ground lease, Western/Carlton II is obligated to pay all real estate taxes, special assessments and other taxes, levies, and impositions attributable to their project and the ground leased premises. The ground leased premises and the project encumber the bulk of the station site.

ATTACHMENT C

SUMMARY OF MTA PARCELS INCLUDED IN ARTS DISTRICT BID

ASSESSOR NO.	OWNER	ADDRESS	ASSESSMENT AMOUNT	%	BENEFIT
5544-021-901	MTA	1672 N. Western Ave	\$12,544.28	1.64%	Tier 3 Tier 4
5544-021-911	MTA	5437 Hollywood Blvd	\$1,650.25	.22%	Tier 3
5544-021-912	MTA	5430 Hollywood Blvd	\$1,603.34	.21%	Tier 4
5544-021-913	MTA	1674 N. Western Blvd	\$994.14	.13%	Tier 3
	TOTAL MTA		\$16,792.01	2.20%	