Crenshaw/LAX Northern Extension
Funding and Project Delivery Strategic Plan
Phase I: Funding Capacity Analysis

CITY OF WEST HOLLYWOOD, CALIFORNIA

City of West Hollywood
California 1984

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Appendices B – E can be found separately on an online shared files drive maintained by the City of West Hollywood here. The link to access these files can be found here.[1]

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[1] The full link to the Appendices can be found here:
https://onedrive.live.com/?authkey=%21ANzIdEk2N3tarDc&id=84BDC8D4B31D04AA%2119015

INTRODUCTION

CONTEXT

The City of West Hollywood (the "City" or "West Hollywood") engaged HR&A Advisors ("HR&A") to assess the potential scale of funding from new revenue sources that could be dedicated to both accelerating the delivery of, and filling existing funding gaps for, the Crenshaw/LAX Northern Extension (the "Project"), a Los Angeles County Metropolitan Transportation Authority ("LA Metro" or "Metro") 'Measure M' project slated for groundbreaking in 2041. The Measure M sales tax ballot initiative, approved by Los Angeles County ("County") voters in 2016, included provisions to allow a project to be accelerated, if doing so does not delay any other project. Metro's Board of Directors ("Board") established an Early Project Delivery ("EPD") Strategy in 2018 to set criteria and a point system for considering acceleration of a Measure M project. One of the critical EPD criteria is the scale of new funding that the project can attract in order to facilitate early delivery. In addition to the goal of accelerating delivery of the Project, the City's efforts to identify funding sources for the Project also help to improve the overall viability of the Project, because the current cost estimates for the Project range from $3.0 to $6.5 billion (depending on alignment and percent underground) and only $2.24 billion in Measure M funding is allocated to the Project, leaving a significant funding gap.

Metro has generated preliminary cost figures for six potential rail alignment alternatives; ultimately, one of these six rail alignments will be selected by Metro as the preferred route for the Project. In order to receive the highest point allocation per the EPD's financing criteria, the City must identify funding equal to 25 percent of the capital cost of the alignment for the portion within West Hollywood, which is equal to up to $796 million.[2] By reaching this target, the City has the opportunity to earn 30 out of the 67 necessary points for an EPD project to advance directly to Board consideration.

It is important to note that receiving a high point total on the EPD enables the Project to be considered for early delivery. As noted above, a funding gap also exists for the project, with this in mind additional funding sources will need to be identified to cover the remaining costs of the Project if early delivery is to be realized. This study helps to identify those potential funding sources, and Phase 2 of the Funding and Project Delivery Strategic Plan will work to formulate a financing strategy for the entirety of the Project.

The revenues evaluated represent sources of funding that do not need to be diverted from existing City projects and programs. These revenue sources are new future dollars and their potential use would not jeopardize existing levels of City services. The revenue generating mechanisms scrutinized as a part of the City's full funding profile include:

1. **Local return funds** dispersed to the City by Metro from existing Countywide sales tax Measures,
2. Revenue from a potential citywide **sales tax increase**,
3. **Station-adjacent advertising** revenue, and
4. Property tax increment generated by an **enhanced infrastructure financing district ("EIFD").**

HR&A paired the insights gained from the funding capacity analysis with a set of strategies that identified supplemental revenue generation opportunities, including:

1. Station **sponsorship/naming-rights**,
2. **Value capture from joint development**, and
3. Supplemental revenues from **City and County of Los Angeles participation in the EIFD**.

[2] HR&A considered 25 percent of the project cost for each alignment and prorated that figure contingent upon the proportion of the alignment that would pass through West Hollywood. The final cost to the City will also depend on the vertical profile that is used.

THE PROJECT

PROJECT DESCRIPTION

Upon completion, the Project will connect to the Exposition line ("Expo") at the Expo/Crenshaw station and the Red line at the Hollywood/Highland station. The Project is expected to have the highest ridership of any light rail line in the Country with daily ridership estimates ranging between 77,000 and 90,000 passengers, according to a briefing released by Metro in March of 2019. If ridership meets expectations, the Project would result in higher daily ridership than the Red and Purple heavy-rail lines.[3] High projected ridership is attributed to high residential and employment density, with the areas immediately surrounding the potential rail alignments averaging 20,000 residents and 11,000 jobs per square mile. The Project would serve as an important north-south regional connector that would close gaps between four existing Metro rail lines, and would capture the vast regional demand for public transit, connecting residents to major job centers in the region, visitors to entertainment and tourism destinations, and employees and patients to healthcare destinations. Furthermore, connecting West Hollywood to the Expo and Red lines will bolster the City's visitor-oriented businesses and hospitality industry, enhancing the City's already robust fiscal revenue profile. Of importance as well, the Project will help to reduce future traffic congestion, and provide a significantly quicker travel option, in an area that has some of the heaviest traffic in the region. For example, Metro projects that a trip from Hollywood to LAX currently takes 64 minutes in a car at peak travel times, that travel time would be cut in half to 32 minutes if the Crenshaw/LAX line were used, once completed. Figure 1 shows the six proposed alignments for the Project.

Figure 1: Potential Crenshaw/LAX Northern Extension Alignment

Sources: Los Angeles County Metropolitan Transportation Authority

[3] Figures taken from Metro's "Next stop: key rail connections, Crenshaw Northern Extension." Published March 2019.

METRO'S EARLY PROJECT DELIVERY GUIDELINES

On May 7, 2018, West Hollywood's City Council responded to Metro's EPD Strategy Guidelines by approving Resolution No. 18-5055 and launching the City's initiative to seek accelerated delivery of the Project. Metro's EPD Strategy covers four categories which are considered to affect the timing of a project, including: Funding, Process, Partnership, and Innovations. Projects that receive the highest point totals across these four categories advance directly to review by the Metro Board. An EPD Strategy application will generate the most points if supported by a local municipality (or a coalition of local municipalities), and if that local municipality can contribute up to 25 percent of the total project construction costs within that jurisdiction.[4] Metro has already committed $2.24 billion in Measure M funds to the Project if the Project were to be delivered in 2041. However, updated construction cost estimates provided by Metro range between $3.0 billion and $6.5 billion depending on the alignment, so as mentioned previously this Funding Capacity Analysis will also serve to increase the viability of the Project because the funding identified can also be used to help fill the funding gap. The estimated construction costs differ because the alignments vary in length and grade separation (vertical profile). The table in Figure 2 shows the estimated cost per alignment, the amount of each alignment that would physically exist within the City's boundaries, and the amount West Hollywood would have to contribute to receive the maximum point total in the funding category of the EPD.[5]

Figure 2: Local Funding Targets to Meet EPD Funding Guidelines

Alignment	San Vicente (A)	La Cienega (A1)	Hybrid (A2)	Fairfax (B)	La Brea (C)	Vermont
Estimated Cost Range from Metro	$4.3 –$6.4B	$4.4 – $6.2B	$5.5 –$6.5B	$4.7 – $5.3B	$3.0 – $4.4B	$3.6B
% of Project in West Hollywood	48%	30%	49%	19%	7%	0%
% of Project in City of Los Angeles	52%	70%	51%	81%	93%	100%
West Hollywood's EPD Funding Target	$768 Million	$465 Million	$796 Million	$252 Million	$77 Million	$0 Million

[1] *Represents the funding necessary for West Hollywood to achieve a score of 30 in the funding section of the EPD requirements; based on the maximum potential cost of the Project.*

Sources: AECOM, City of West Hollywood.

HR&A evaluated the funding profile of the San Vicente, La Cienega, Hybrid, Fairfax, and La Brea alignments. HR&A did not analyze funding potential for the Vermont alignment as this alignment does not cross the City's boundaries, would not serve the residents of West Hollywood if built, and is expected to be recommended for dismissal from future analysis by Metro staff.

ORGANIZATION OF THE REPORT

HR&A's report analyzed the funding capacity for Metro local return funds dispersed to the City, a potential sales tax increase in West Hollywood, station-adjacent advertising revenue on private property, and EIFD tax increment revenues. Specifically, the net present value of each potential 45-year cashflow is discussed for every revenue source, excluding station-adjacent advertising which had a shortened projection period because revenues are only expected after the Project opens.

Each component of the funding sources section of this report is organized in the following way:

1. An overview of the funding source
2. Analysis, approach, and assumptions
3. Findings, including:
   a. Total revenue generation through 2065
   b. Sensitivities that impact revenue generation

[4] Metro's EPD requirements are included as Appendix A at the end of this report.

[5] All cost figures were taken from Metro except for the EPD requirement, which HR&A calculated independently.

FUNDING SOURCES

HR&A evaluated the total revenue potential of each funding source through year 2065. This section of the report establishes a potential funding profile available to West Hollywood by evaluating the combined funding of the revenue sources the City is potentially willing to commit to accelerate and help construct the Project. HR&A evaluated the following funding sources:

- Local return funds dispersed to the City from Metro,
- Revenues from a potential citywide sales tax increase, and
- Property tax increment from an enhanced infrastructure financing district (EIFD).

In addition, the City engaged Premier Partnerships ("Premier") to evaluate the revenue potential of station-adjacent advertising on private property.

The 2065 forecasting period was selected because it correlates with a 45-year EIFD, the maximum time an EIFD can be in place. The total funding capacity for each of the sources is presented in 2019 dollars and discounted at 3 percent over the projection period.

LOCAL RETURN FUNDS

Residents of the County have approved four different sales tax increases over the last forty years to help fund Metro and transit infrastructure projects throughout the County. Each of the four measures allocate the revenues from the sales tax increase differently, however, they all include a 'local return' component. Under the local return formula, Metro disperses a share of all revenue collected through the sales tax increase to individual municipalities and unincorporated Los Angeles County. Jurisdictions can only use the funds for transit related expenditures; however, Metro relinquishes control to the local municipality to decide which infrastructure projects receive funding. Local return funds to individual municipalities are allocated on the basis of their share of total population in the County. The figure below shows the amount allocated to local return funds from the four Countywide sales tax initiatives, the actual Countywide taxable sales volume in 2018, and the local return fund revenue received by West Hollywood in 2018.

Figure 3: Local Return Fund Allocation for West Hollywood (2018)

	Proposition A	Proposition C	Measure R*	Measure M*
Taxable Sales in Los Angeles County		$168.8 Billion		
Proposition/Measure Sales Tax Increment	0.50%	0.50%	0.50%	0.50%
Proposition/Measure Total Revenue Collected	$844 Million	$844 Million	$844 Million	$844 Million
Local Return Component	25%	20%	15%	17%
Total Local Return Component	$211 Million	$168.8 Million	$126.6 Million	$143.5 Million
West Hollywood Population Share	0.35%	0.35%	0.35%	0.35%
West Hollywood's Local Return Funds	$738,500	$590,800	$443,100	$502,180

** HR&A's long-term forecast of revenues for Measures R and M reflect their changes in 2039. Measure R is expected to expire during 2039 while Measure M's Tax Increment increases from 0.5% to 1.0% . The detailed changes to these Measures can be found in Appendix C.*

Sources: Los Angeles County Metropolitan Transportation Authority, City of West Hollywood

PROPOSITIONS A AND C

Propositions A and C are the oldest transit infrastructure related sales tax initiatives currently in place in the County. Neither of these sales tax increment policies have a set expiration date, another ballot measure would need to be drafted and ratified at the County level to repeal either of these propositions. Each proposition individually increased the sales tax rate in the County by one-half of one percent. HR&A evaluated the funding potential of the local return fund component of both Propositions; however, they are not accounted for in the final funding profile. They are not included in the final funding profile, because though discussions with City staff we understand that the local return funds from Propositions A and C are already allocated for ongoing transportation expenses and projects, and would not likely be available to help fund the Project.

MEASURES R AND M

Measures R and M represent Metro's most recent sales tax increment initiatives. Measure R was approved by voters in the County in 2008 and Measure M was approved in 2016. Both represent a one-half of one percent increase to the County's sales tax rate, similar to Propositions A and C. Unlike the propositions, Measure R is set to expire in 2039. Measure M does not have a set date of expiration and will increase to 1 percent in 2039 as Measure R expires. Like Propositions A and C, a separate ballot measure would need to be drafted and ratified by voters in the County to repeal Measure M. As the more recent sales tax initiatives, City staff has indicated that the local return funds for Measures R and M have been used for one-time expenses or for items that can be shifted to other funding sources. For this reason, City staff believed it was reasonable for these funds to be included in the funding profile and as such they comprise the entirety of the local return fund funding profile for this analysis.

ANALYSIS APPROACH

Metro's required allocation for local return funds relies upon a municipality's share of population relative to the County as a whole. As such, forecasting the City's share of local return funds through 2065 required HR&A to evaluate the future growth of the City and County populations, as well as the County's taxable sales.

Population Projections

To forecast population growth for West Hollywood and the County, HR&A used the Southern California Association of Government's ("SCAG") Regional Transportation Plan ("RTP") population forecasts. SCAG's forecasting methodology considers existing zoning restrictions when forecasting growth at a regional level for all municipalities and unincorporated counties. Any future changes to zoning through the adoption of General or Specific plans are also considered by SCAG.

HR&A forecasted revenues through 2065; however, SCAG's population forecast only runs through year 2040. HR&A used the compound annual growth rate from SCAG's forecast to extend the population projections through 2065. The result yielded year to year population estimates for West Hollywood from 2020 to 2065. Using the same methodology for the County's population, HR&A calculated the City's relative population share on a yearly basis across the projection period.

Taxable Sales Projections

Metro's local return fund allocations depend on the revenue collected through the four sales tax initiatives. HR&A used Metro's internal taxable sales forecast as the basis for a 45-year taxable sales forecast. Metro's internal forecast only projects forward ten years, so HR&A extended this forecast by taking the compound annual growth rate and applying it to historic observations to create a 45-year forecast of taxable sales in the County.

Projected Revenue to West Hollywood

After estimating the County's taxable sales growth over 45 years, HR&A applied Proposition A and C and Measure R and M's half-cent tax rate to the County's taxable sales. The result yielded total revenue collected by each Proposition and Measure on a yearly basis. Subsequently, each Measure's local return fund rate was applied to the total collected revenue to establish a baseline local return fund pool of money for the County on a yearly basis. HR&A then calculated West Hollywood's specific share of all local return fund dollars collected by Metro by applying the City's SCAG derived population share to the pool of local return fund dollars on a yearly basis.

LOCAL RETURN FUND REVENUES FUNDING CAPACITY

HR&A found that the funding capacity of all local return fund revenue distributed to the City over the projection period neared $100 million in NPV terms. The figure below demonstrates the breakdown of potential revenues for each initiative; Measure R and M's values are bolded as they represent the only figures integrated into the full funding profile, together totaling **$48 million**. Based on discussions with City staff it was assumed that Proposition A and C local return funds were already committed to ongoing transportation expenses and projects, and thus were not included in the funding profile, however, since Measures M and R are more recent initiatives their local return funds have been used for one-time expenses or for items that can be shifted to other funding sources, and thus City staff believed it was reasonable to include them in the funding profile. HR&A's findings account for Measure R expiring in 2039 and Measure M's tax share allocation increasing in the same year, which is the reason for the large difference in the dollar amount for the two Measures (as shown in Figure 4 below).[6]

Figure 4: Local Return Funds Available to West Hollywood

	Prop A	Prop C	Measure R	Measure M
Net Present Value of Local Return Fund Revenue (2019-2065)	$30 Million	$24 Million	**$8 Million**	**$40 Million**

Sources: HR&A Advisors

POTENTIAL CITYWIDE SALES TAX INCREASE

West Hollywood benefits from being a tourist attraction for the people of Los Angeles County, hosting marquee events such as the LA Pride Festival and Parade and a citywide Halloween Carnaval. These contribute to the City's robust collections of sales tax revenue, which exceeded $17 million in 2019. West Hollywood's role as a tourist attraction, and the strong local business climate in the City, place it in a unique position to benefit from an increase to the local sales tax rate. Unlike many cities, over the last several years the City has seen steady increases in sale tax revenues, which can in part be attributed to the strong base of hospitality businesses within the City, including hotels, restaurants, bars, nightclubs, cannabis businesses, and entertainment facilities. The City also has a diverse mix of sales tax generating business, including big box retail stores (Target and Best Buy), supermarkets (Whole Food's, Trader Joe's, Pavilions, Ralphs, Gelson's), high end retail, restaurants, hotels, bars/nightclubs, and furniture and design stores, providing a buffer against downturns in specific business categories.

West Hollywood has exhibited historically strong growth in sales tax revenue. Over the last 25 years West Hollywood's sales tax receipts have increased at a compound annual growth rate of 5 percent. Growth slowed

[6] These figures were drawn from Metro's own internal 10-year forecasts which were extended out through 2065 and scrutinized appropriately. The guidelines for each Proposition and Measure were also scrutinized to assess their local return capacity and County-wide sales tax increment.

to 3 percent immediately following the Great Recession, but between 2014 and 2019, the City's sales tax revenues have rebounded and grown at a rate of 4 percent annually.

The current Citywide sales tax rate is 9.5 percent, and the City receives 1.0 percent of citywide taxable sales subject to the State sales and use tax. The City has the capacity to increase the citywide sales tax rate to 10.25 percent per the State of California's Revenue and Tax Code. As of January 1, 2020, there were 31 cities in Los Angeles County with sales and use tax rates at or above 10 percent, with 22 of those 31 with tax rates at or above 10.25 percent. If West Hollywood pursued this action, it would not be unprecedented. A City-initiated sales tax increase would ensure the additional sales tax rate capacity is captured by the City and used for local projects, whether transportation related or otherwise. Without this City led initiative, the rate capacity could be captured by other taxing entities outside of the City, and the City would lose the potential for local control of these funds.

Per the State's Revenue and Taxation Code, a ballot measure for a general increase to the sales tax rate, which implies that incremental revenue collected will not go to a specific purpose, would require a 50+1 majority vote to pass. A ballot measure for a sales tax increase that would specifically allocate funds toward a specific project would require a two-thirds majority vote to pass. If a 50+1 majority sales tax initiative were approved the City Council would allocate the funds through the City's budget process.

HR&A evaluated the revenue potential of both a 0.5 and 0.75 percent sales tax increase. A 0.75 percent increase was tested because it represents the upper limit of a sales tax rate increase that can be ratified locally in California without State legislative action, while a 0.5 percent increase was also tested to evaluate whether the full 0.75 percent increase was necessary for West Hollywood to reach its EPD funding target.

ANALYSIS APPROACH

HR&A forecasted Citywide taxable sales from 2019 through 2065 using an econometric model that parsed the relationship between West Hollywood's taxable sales and Countywide population, employment, and household income (the "Parameters"). These Parameters were selected because, as a regional entertainment and tourism hub, Countywide population, employment, and income are representative of the City's taxable sales drivers. HR&A found parameters limited to Citywide figures, or expanded to national figures, to not have as strong a correlation to taxable sales as Countywide parameters.

The basis of HR&A's analysis was a regression model. To account for inflation throughout the regression model, household income and historical taxable sales were adjusted to real dollars using the consumer price index from the U.S. Bureau of Labor Statistics. Overall, HR&A received 24 years of historical sales tax revenue data from the City and independently collected 24 years of data for each Parameter in the model.[7]

After establishing the historical relationship between the Parameters and sales tax revenue in the City, HR&A forecasted future sales tax revenue by implementing forecasts for the Parameters that were drawn from third-party data sources. Forecasting the Parameters allowed HR&A to estimate future taxable sales in the City through 2065.

[7] Population figures were drawn from the Department of Finance's E-4 Historical Population Estimates for Cities, Counties, and the State. Employment was drawn using the U.S. Bureau of Labor Statistics Data Finder database tool. Household income was drawn from the Census via the web tool provided by the St. Louis Federal Reserve known as FRED. All historical data years spanned from 1994-2018.

Regression Analysis

HR&A gathered historical data for each Parameter from the following sources:

- Population – the California Department of Finance's historic estimates.
- Employment – the U.S. Bureau of Labor Statistics.
- Household Income – the U.S. Census Bureau's American Community Survey.

The regression model produced numerical relationships between each of the Parameters and the City's sales tax revenues. Using the relationships established by the model, HR&A was able to estimate the change to the City's taxable sales that resulted from any change to the Parameters of the model.[8]

Forecasting Sales Tax Revenues

HR&A forecasted the Parameters of the model to estimate future expected taxable sales in West Hollywood. HR&A used reputable third-party data sources for future estimates of population, income, and employment in the County, including the following:

- Population – SCAG's RTP forecasts were used and extended through 2065 using the previously cited methodology in the local return fund section of this report.
- Employment – the University of California Los Angeles Anderson School's employment growth forecast, which were released through 2020 by UCLA and extended through 2065 by HR&A.
- Household Income – the California Department of Transportation's ("DOT") household income forecast, which were released through 2050 by DOT and extended through 2065 by HR&A.

After the future values for each of the Parameters in HR&A's model were established, HR&A was able to estimate total taxable sales in West Hollywood on a yearly basis through the projection period.[9]

Implications of Proposed Sales Tax Increase

After establishing projected yearly taxable sales through 2065, HR&A applied the City's proposed 0.5 and 0.75 percent sales tax increment rates to the forecasts to estimate the yearly new sales tax revenue that would be received from each of these proposed increments. HR&A's model dealt with real growth to account for inflation when establishing the initial correlation of the Parameters and taxable sales; as such, the results in this findings section are all shown in real dollars and growth rates are shown in real terms as well.

After a baseline was established, HR&A tested different growth rate scenarios to account for potential bullish and bearish spending patterns over the projection period. Real growth over the projection period for the baseline, low, and high growth scenarios was 1.5 percent, 1.1 percent, and 1.9 percent, respectively. As previously cited, the City's nominal taxable sales growth over the last five years was 4 percent. Considering a 2 percent rate of inflation over the last five years, the City had real growth of approximately 2 percent.

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[8] HR&A relied on an ordinary least square regression model to establish numerical relationship coefficients of correlation between the Parameters and the City's sales tax receipts. Several parameters were tested, the ones detailed in this report provided the highest explanatory power. The OLS regression HR&A conducted had large explanatory power, with an R^2 of 0.98 and an adjusted R^2 of 0.97. The p-values for the independent variables were statistically significant at the 0.15 level across the board, with the variables for employment and income being significant at the .05 level.

[9] Using SCAG for population, the California Department of Transportation ("DOT") for household income, and UCLA Anderson School's employment growth forecast HR&A was able to estimate future taxable sales growth in the City. The DOT's household income forecasts were presented in real dollars, so they did not have to be converted using the consumer price index; however, forecasts only extended through 2050. HR&A used the DOT's compound annual growth rate to extend these forecasts over the projection period. The UCLA Anderson School's employment growth forecasts did not require any adjustments as they represented a yearly percentage rate of growth which HR&A applied through the projection period.

HR&A's baseline forecast therefore represents conservative growth rates when compared to the City's recent historical growth in sales tax revenue.

POTENTIAL CITYWIDE SALES TAX INCREASE FUNDING CAPACITY

If the City's voting population were to ratify a 0.5 percent sales tax increase, the City could expect to collect between $270 million and $326 million in sales tax revenue contingent upon future taxable sales trends. If the City were to ratify a 0.75 percent sales tax increase, then they can expect to collect between $410 million and $490 million in sales tax revenue, contingent upon future taxable sales trends. Findings for each sales tax increase and growth scenario are illustrated below, results are shown in present value terms over the 45-year projection.[10] The first projection year for the analysis was 2019, per available data, and the overall revenue stream over the 45 years of the projection period is quantified in present value terms.

Figure 5: Revenues from Potential Sales Tax Increase (45-year projection, est. 2019-2065)

Proposed Increase	Low Growth	Baseline Growth	High Growth
0.50% Increase	$273 Million	$298 Million	$326 Million
0.75% Increase	$410 Million	$447 Million	$490 Million

Sources: HR&A Advisors

STATION-ADJACENT ADVERTISING REVENUE

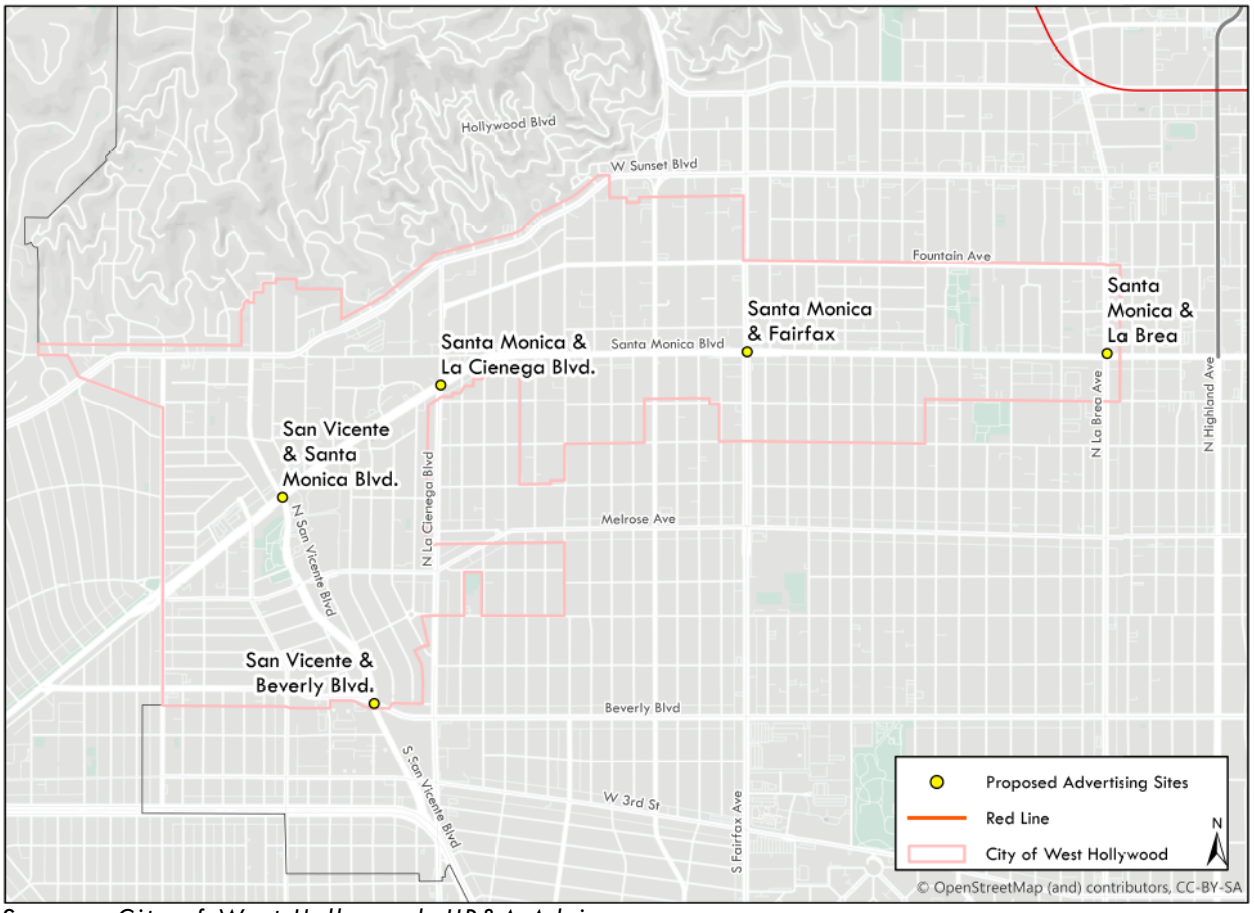
West Hollywood is one of the country's leading advertising markets, with Sunset Boulevard being second only to Times Square in terms of yearly advertising dollars spent. Although the eventual rail-adjacent advertising sites will not be located on Sunset Boulevard, advertising throughout the City benefits from West Hollywood's allure both as a prime visitor destination and drive through market. The Project presents a great opportunity for advertisers to capitalize on the thousands of transit users that will be walking through new rail stations (and the areas adjacent to them) every day, with total daily ridership expected to be between 88,000 and 90,000 passengers.

Through the adoption of the City's most recent General Plan new off-site advertising is restricted to Sunset Boulevard. In order to help fund the Project, the City could consider changing land use regulations and permit the use of development agreements to create revenue sharing agreements for new off-site advertising at station-adjacent locations.

Premier Partnerships has provided advisory and consulting services to West Hollywood in the past. Premier's experience with national media and advertising markets placed them in a unique position to advise the City on potential advertising revenues for station-adjacent advertising sites through 2065. Premier's analysis considered the revenue potential for five station-adjacent sites that will benefit from the increased foot traffic from the Project. Funding from advertising revenues is contingent on the eventual alignment that is selected because, as the following figure demonstrates, several potential advertising sites would be bypassed by the Project if the La Brea or Fairfax alignments are selected. The full funding profile for each of the alignments, presented at the end of the findings section of this report, reflects the differing amount of advertising revenues that can be expected for each alignment.

[10] Due to the timing of the original analysis, HR&A's econometric model was constructed with 2018 taxable sales as the base year. Since the econometric model was built, taxable sales figures for the City of West Hollywood in 2019 were estimated to come in above $17 million. This represents 3% year-to-year increase from 2018, well below HR&A's conservative 1.5% compound annual growth over the projection period for the baseline sales tax increment scenario.

Figure 6: Potential Station-Adjacent Advertising Sites



Sources: City of West Hollywood, HR&A Advisors

ANALYSIS APPROACH[11]

Premier forecasted station-adjacent advertising revenue for the City from 2028, the assumed accelerated completion year of the project, to 2065. Premier evaluated the five station areas highlighted in Figure 6. Premier tested several scenarios that included various intensities of programming at each site and varying revenue share structures, every scenario tested by Premier assumed that advertising at these five sites would be digital. Premier needed to estimate and forecast two factors in their analysis:

1. the number of views each potential advertising site would receive; and
2. the expected cost of advertising per one thousand views received, referred to as Cost Per Mile ("CPM").

Premier paired total views with advertising cost per one thousand views to reach a dollar figure of potential revenue on a yearly basis. Views for the advertising sites that Premier estimated include vehicle, pedestrian, and train rider traffic. Premier integrated a value appreciation premium into their analysis and forecast. Value appreciation is driven by location, visibility, and clutter level at each station area advertising site.

[11] Premier was tasked with preparing these estimates, HR&A has summarized their findings from a separate memorandum prepared for the City of West Hollywood in September 2019.

Programming Intensity Scenarios

Premier assumed three levels of advertising intensity at each station-adjacent advertising site. All valuations have been conducted by square feet (e.g. 5,000 SF), not individual unit (e.g. 2 billboards). As such, the square foot figures demonstrated below can include one or more billboards, depending on their size and type:

- High Scenario: 12,000 SF allocated to billboards at each station
- Medium Scenario: 8,500 SF allocated to billboards at each station
- Low Scenario: 5,000 SF allocated to billboards at each station

Premier's analysis assumed all billboards will be digital, reflecting presumed technological and design updates in the billboard market over the next ten years. From the total potential reach, the size and type of each billboard was used to create a visibility score, which in turn projected the total actual impressions.

Premier also provided an extra 20,000 SF scenario for the Santa Monica & San Vicente station because there is the potential for more development around that station, when compared to other stations, due to the large Metro Division 7 bus-yard that is located there, and could be the site of a public-private joint development.

Pricing Scenarios

Premier tested three potential rates of advertising pricing as well. Premier used CPM rates of $9, $11, and $13; these rates were adjusted throughout the projection period by the value appreciation premium previously discussed. After the Year One projection is made, the value is projected out from 2028 to 2065 using a 3% year-over-year inflation rate.

Revenue Sharing Agreement

As discussed, new billboard advertising in the City could provide funding for the Project if the City brokers revenue sharing agreements with future billboard operators. A revenue sharing agreement could be applied to individual advertising sites or citywide. For the analysis, Premier assumed the City would collect 25 percent of the total Billboard Operator Revenue. Premier also considered different revenue sharing agreement structures with variations on upfront Year One payments versus annual payments.

STATION-ADJACENT ADVERTISING REVENUE FUNDING CAPACITY

Based on Premier's analysis, the City of West Hollywood can expect to generate between $685,000 to $1.32 million in advertising revenues on an average annual basis across all five new station locations.

Figure 7: Revenues from Station-Adjacent Advertising Sites

Scenario	Avg Annual Value (2028-2065)	Total NPV (2028-2065)
CPM: $9 Low Scenario (5K Sqft.)	$685,000	$26 Million
CPM: $13 High Scenario (12K Sqft.)	$1.3 Million	$50 Million

Sources: Premier Partnerships

Premier provided two strategies for revenue collection from the billboard operators at all five station locations. The CPM rate for both scenarios tested is $9. Understanding the city has a goal of raising capital, the two strategies focus on different levels of upfront revenue generation:

- Lower Upfront Fee Scenario: 25% total of all advertising revenue, 10% of which is an upfront payment
- Higher Upfront Fee Scenario: 20% total of all advertising revenue, 25% of which is an upfront payment

Figure 8: Upfront Revenue Collection Strategy

	Strategy 1: Lower Upfront Fee			Strategy 2: Higher Upfront Fee		
	Upfront Fee	Annual Fee	Total City Revenue	Upfront Fee	Annual Fee	Total City Revenue
San Vicente & Beverly	$400,000	$100,000	$4,300,000	$900,000	$100,000	$3,400,000
Santa Monica & Fairfax	$800,000	$200,000	$8,100,000	$1,600,000	$100,000	$6,500,000
Santa Monica & La Brea	$900,000	$200,000	$8,700,000	$1,700,000	$100,000	$6,900,000
Santa Monica & La Cienega	$900,000	$200,000	$8,800,000	$1,800,000	$100,000	$7,000,000
Santa Monica & San Vicente	$700,000	$200,000	$7,200,000	$1,400,000	$100,000	$5,800,000
Total	**$3,700,000**	**$900,000**	**$37,100,000**	**$7,400,000**	**$600,000**	**$29,700,000**

Sources: Premier Partnerships

ENHANCED INFRASTRUCTURE FINANCING DISTRICT ("EIFD")

EIFDs provide a tool for local governments to fund community revitalization, affordable housing, and infrastructure projects from a variety of sources, most notably from Tax Increment Financing ("TIF"). EIFDs were authorized by California Senate Bill 628, which took effect on January 1, 2015. The legislation was later amended in 2015 by Assembly Bill 313 and Senate Bill 63, in 2018 by Senate Bill 961, and more recently by Assembly Bill 116, which removed voter approvals that were once required for bond issuances using EIFD funds. The EIFD tool is based on the State's existing Infrastructure Finance District legislation but allows more flexibility by simplifying the formation process; expanding sources of available financing; and increasing the types of projects that can be funded by EIFDs. EIFDs are governmental, place-based entities established by cities or counties, but are separate and distinct from the initiating jurisdiction(s). It is important to note that TIF districts are not "new money," they simply capture a portion of the growth of existing tax receipts. Additional legislative enhancements to the EIFD tool provisions in state law have been discussed and the City will continue to monitor and actively engage in these statewide conversations.

Tax Increment Financing ("TIF") in California

TIF is a public finance mechanism whereby a local government establishes an area/district from which it diverts tax increment, i.e. increases in tax revenues (typically property taxes) above base year levels that are allocated to a local fund or authority to fund physical improvements and programs that provide a public benefit to the area. Jurisdictional participation in a TIF district is optional and jurisdictions elect what proportion of incremental revenues they are comfortable contributing to the TIF special fund or authority.

Property taxes, which are the only tax revenue HR&A scrutinized in this EIFD analysis, are based on assessed value, which is determined by the local assessor, and is different from market property value. Assessed value is typically lower than market property value, or what a property might generate on sale, and annual increases in assessed value are limited in the state of California to a maximum of 2 percent due to Proposition 13 ("Prop 13"), a ballot initiative approved by voters in 1978. However, recently several state ballot proposals have been discussed that would separate how residential and commercial properties are assessed and adjusted each year. If one of these proposals were to qualify for a future ballot, and be approved by state voters, the assessed values of commercial properties would likely increase significantly providing a spike in assessed value and property tax revenue that would continue in the future and would provide additional tax increment to the EIFD. While not included in this phase of this analysis, increased commercial assessed values would likely increase the amount of tax increment generated by the EIFD.

TIF districts are most effective in areas where there is a likelihood for new investment, a history of property turnover, and a history of value increases. TIF revenues are neither new taxes nor "new money," instead they are the future growth in property tax dollars that are already being collected. A portion of that future growth is then redirected for specific purposes instead of being allocated for general purposes.

EIFD Formation Process

Forming an EIFD requires the establishment of a public entity separate from the local municipality or municipalities initiating it. All municipalities that will contribute a portion of the increment of their property taxes within the TIF district are required to participate in the EIFD formation process. The steps to form an EIFD are as follows:

1. A sponsoring agency (County Board of Supervisors or City Council) must adopt a Resolution of Intention and form a Public Financing Authority ("PFA") which will serve as the governing entity over the EIFD. The PFA needs to be comprised of members of all participating municipalities as well as two members of the public. The majority of the PFA will be comprised of legislative members of the jurisdiction that is sponsoring the agency. During this initial phase, landowners within the proposed district and other taxing entities must be informed of the intention to form an EIFD.

2. The PFA must then prepare an Infrastructure Financing Plan ("IFP") to send to landowners within the district and taxing agencies. The IFP dictates the terms of the EIFD. It includes information on the district boundaries, the source of incremental tax collections, the infrastructure project(s) the EIFD will fund, the proposed length of time the EIFD will be in place, the share of incremental property tax each municipality will allocate, and the maximum amount of funds that can be collected over the EIFDs lifetime.

3. The PFA must hold a public hearing to discuss the IFP and adopt it to formally create the EIFD. All participating jurisdictions in the PFA must pass their own local resolution approving the EIFD.

Analysis Approach

HR&A took a multi-phase analysis approach to scrutinize the potential funding capacity of an EIFD. HR&A's analysis required the following steps:

- Establish the TIF **geographic boundaries**,
- Establish a potential rate of **taxing authority participation (actual rates determined at a later date)** and local tax rates,
- Evaluate **incremental development capacity** from the redevelopment of vacant and underutilized land based on existing zoned land use capacity,
- Assess historical **real estate market parameters** for parcels within the TIF geographic boundaries, and
- Evaluate the potential for increased EIFD revenues through **sensitivity testing of significant parameters**.

Geographic Boundaries

An EIFD's revenue potential is largely influenced by the location of the TIF district that is established. HR&A conducted the EIFD analysis by testing two TIF district scenarios for each of the five proposed rail alignments that pass through West Hollywood:

- a half-mile district radius from each potential rail line, and
- a quarter-mile district radius from each potential rail line.

The result was ten total TIF district scenarios, two for each of the five alignments. HR&A tested the funding capacity of each of these ten TIF districts.

The geography surrounding the ten potential TIF districts represent the EIFD Study Area. The EIFD Study Area encompasses a wide variety of local conditions including some of the County's most valuable land, disinvested areas, and also some of fastest growing areas in terms of property values, making this area highly appropriate

for a TIF district like an EIFD. Detailed maps showing the potential boundaries analyzed for each alignment are included in Appendix B of this report.

Taxing Authority Participation and Local Tax Rates

HR&A tested the revenue potential of three jurisdictional participation scenarios for the EIFD:

- West Hollywood alone;
- West Hollywood and the County of Los Angeles (only within West Hollywood); and
- West Hollywood, the County of Los Angeles, and the City of Los Angeles (the entire extension).

For this analysis, HR&A assumed that participating jurisdictions would contribute 50 percent of the future growth in their general levy property tax share. The jurisdictional property tax shares vary across the EIFD Study Area, but on average equate to 26 percent for the City of Los Angeles, 18 percent for the County of Los Angeles, and 18 percent for West Hollywood. In HR&A's baseline findings, only West Hollywood is assumed to be a participating jurisdiction; however, illustrative scenarios with the City of Los Angeles and County as participants are presented in the supplementary funding sources section of this report.

Incremental Development Capacity and Pace of New Development

HR&A evaluated the potential for redevelopment of properties across the Study Area by conducting a parcel-by-parcel analysis for the proposed TIF district boundaries. Using the most recent data from the Los Angeles County Department of the Assessor (the "Assessor's Office"), HR&A developed a set of criteria that indexed parcels in the Study Area as vacant or underutilized. If a parcel was underutilized or vacant, HR&A assumed it would be redeveloped to the maximum density allowed under the parcel's current zoning.

Parcels that had a **Floor Area Ratio (FAR) below 10 percent** of the total allowable FAR for the zoning designation or had an **improvement-to-total assessed value ratio below 10 percent** were considered vacant or underutilized. The average improvement-to-assessed value across the Study Area hovered around 35 percent, implying that using a threshold of 10 percent was highly conservative. HR&A assumed that some portion of the vacant and underutilized parcels in the study area would be redeveloped over the projection period as long as there was demand for new residential and commercial space.

Latent demand for the redevelopment of underutilized and vacant land was estimated using future household and employment growth in the Study Area. HR&A used SCAG's household and employment forecasts through 2040, using methods previously cited to extend these forecasts, to dictate a pace of absorption for vacant or underutilized parcels. Employees were converted to commercial square footage using an average one employee per 350 square foot figure, which is characteristic of the EIFD Study Area.

HR&A assumed certain types of parcels would not be redeveloped over the 45-year projection period and excluded those from the analysis. Excluded parcels included:

- Restrictively zoned, i.e. uses unlikely to be redeveloped such as cemeteries, churches, right-of-ways, open space, public facilities, submerged land, or agriculture;
- Publicly-owned/zoned;
- Single-family detached homes, HR&A excluded the redevelopment potential of all single-family homes or parcels that are currently zoned for the development of single-family homes.

After indexing underutilized or vacant properties HR&A separated parcels contingent on either residential or commercial zoning and use. HR&A made this distinction because market conditions differ greatly between these two land use categories. As noted, the development of public properties via public private partnerships were not included in the EIFD analysis, however, public private joint developments on public properties could provide significant additional TIF revenues if such projects were approved by the appropriate public entity.

Real Estate Market Parameters

Historical real estate market parameters were drawn for specific submarkets in the EIFD Study Area because of the Study Area's vast geographic coverage. The submarkets in HR&A's analysis included South Los Angeles, Mid-City, Mid-Wilshire, Hancock Park, West West Hollywood, East West Hollywood, and Beverly Grove. HR&A used CoStar Group Inc. ("CoStar") as the primary data source for historical information on parcels within the Study Area. HR&A's modeling approach necessitated the evaluation of historical property turnover, appreciation, and for-sale value.

Property Turnover

Based on historical data from CoStar, turnover for residential properties in the study area was fixed at **5 percent** (where residential properties were assumed to be sold once every twenty years) while commercial turnover is set at **7 percent** (where commercial properties were assumed to be sold once every 14 years.) Once sold on the open market properties are reassessed (typically at the sale price) and the City's property tax collections increase contingent on the reappreciation of the properties.

Property Value Appreciation

Based on historical data from CoStar, HR&A chose a year-to-year growth factor with commercial properties appreciating at **4 percent** and residential properties appreciating at **6 percent**. HR&A evaluated historical appreciation rates over the last ten years in the Study Area, controlling for the Great Recession, and found that the value of for-sale commercial and residential properties hovered near the 4 and 6 percent marks. When a property is sold in HR&A's model the gap between the most recent and previous sale dates is calculated and that property is reassessed depending upon its associated land use. These assumed rates of growth can be considered conservative, particularly in the City of West Hollywood, which has consistently experienced some of the largest increases in assessed value in Los Angeles County over the last 10 years.

Property Sale Value

Once developed or redeveloped, the future value of underutilized or vacant properties was determined based on the historically observed selling price for residential and commercial properties within the same submarket. Because of the market variations across the submarkets, estimated future assessed value of redeveloped parcels varied across the Study Area. For example, parcels in Hancock Park would have a larger assessed value, and in turn produce more incremental property tax to capture, when compared to a similarly sized property in South Los Angeles.

Sensitivity Analysis

HR&A tested changes to assumptions to assess the potential of enhancing EIFD revenues. EIFD scenarios with higher absorption rates for new development and larger year-to-year property value appreciation factors were tested, presenting more favorable conditions for EIFD revenue generation.

Higher Capture of Growth Around the Proposed Transit Line

HR&A's initial analysis revealed that not all underutilized and vacant parcels were being absorbed across submarket areas due to low demand, which was drawn from projected household and employment growth. HR&A tested the impacts of increased demand on revenue generation in the EIFD by concentrating household and employment growth from nearby neighborhoods along the Study Area. HR&A used SCAG's RTP High-Quality Transit Area report ("HQTA"), published in 2016, as the basis for the increased capture rate at the root of this sensitivity test. The Study Area fits SCAG's description of a high-quality transit areas, as a result HR&A tested a larger household and employee capture rate for the EIFD Study Area.

Greater Property Value Appreciation with Transit Premiums

HR&A has conducted extensive independent research regarding the impact of transit-oriented development on property value appreciation. A literature review assessed the impacts of transit-oriented development across the country and it was supplemented by a quantitative regression analysis that was localized to the impacts of the Exposition light rail line in Los Angeles. HR&A reviewed white papers produced by Strategic Economics, AECOM, and several reports from the Journal of Public Transportation on this topic.

Relying on HR&A's qualitative and quantitative research methods on the appreciation of residential and commercial property values after the addition of transit to an area, two transit-oriented development premiums of 5 and 10 percent were tested to determine the impact of such an increase to localized property appreciation on EIFD revenue generation. Sensitivity testing results are outlined below. It is important to note that HR&A tested the impact of a 5 and 10 percent increase to existing appreciation rates, which is dramatically different than testing the impacts of increasing existing appreciation rates by 5 and 10 percentage points (for example a 10% increase in a 5% historic appreciation rate is equal to 0.5% and the new rate would be 5.5%, however, increasing the same appreciation rate by 10 percentage points would make for a new rate of 15%).

EIFD Funding Capacity

HR&A estimated the revenue yield for all ten TIF district scenarios in the EIFD Study Area. HR&A's estimates are intended for illustrative purposes only; EIFD revenue yield will depend on subsequent decisions about geographic boundaries, participation percentages by the impacted jurisdictions, and future real estate market conditions. The first projection year for the analysis was 2019, per available data, and the overall revenue stream over the 45 years of the projection period is quantified in present value terms.

Baseline Findings

In HR&A's baseline scenario, presented below in Figure 9, West Hollywood is assumed to be the sole participating jurisdiction. Because the results illustrate the impacts of the TIF districts within West Hollywood only, the alignments with the most land area in West Hollywood yield more revenue. As such **the Hybrid, San Vicente, and La Cienega alignments generate the greatest amount of property tax increment**.

Figure 9: West Hollywood EIFD Revenues (2020-2065)

Alignment	Half-Mile EIFD	Quarter-Mile EIFD
San Vicente (A)	$493 Million	$365 Million
La Cienega (A1)	$399 Million	$288 Million
Hybrid (A2)	$573 Million	$401 Million
Fairfax (B)	$156 Million	$100 Million
La Brea (C)	$42 Million	$26 Million

Sources: HR&A Advisors

Sensitivity Testing

HR&A modified the preliminary output results by testing increased appreciation rates and increased absorption of new development in the EIFD Study Area. HR&A kept all other assumptions the same. West Hollywood remains the only participating jurisdiction in these scenarios and they are still assumed to be contributing 50 percent of their incremental property tax collections.

Figure 10: Sensitivity Testing of EIFD Revenues (2019-2065)

Alignment and EIFD Buffer	(1) 10% Increased Appreciation Rate	(2) Increased Capture of Growth	Cumulative Impact of 1 & 2
Hybrid 0.5 Mile	$688 Million	$579 Million	**$694 Million**
Hybrid 0.25 Mile	$477 Million	$423 Million	**$499 Million**
San Vicente 0.5 Mile	$599 Million	$495 Million	**$601 Million**
San Vicente 0.25 Mile	$440 Million	$367 Million	**$442 Million**
La Cienega 0.5 Mile	$474 Million	$403 Million	**$478 Million**
La Cienega 0.25 Mile	$351 Million	$290 Million	**$353 Million**
Fairfax 0.5 Mile	$191 Million	$157 Million	**$192 Million**
Fairfax 0.25 Mile	$122 Million	$102 Million	**$124 Million**
La Brea 0.5 Mile	$50 Million	$43 Million	**$51 Million**
La Brea 0.25 Mile	$31 Million	$27 Million	**$32 Million**

Sources: HR&A Advisors

CUMULATIVE FUNDING PROFILE

CUMULATIVE FUNDING PROFILE

The comprehensive funding profile for every alignment is shown in Figure 11. The funding profile shown represents revenue for a half-mile EIFD boundary, the baseline growth scenario for the potential sales tax increase, and increased EIFD revenues attributable to a higher capture of growth around the transit line and greater property value appreciation. For the advertising revenue, each alignment represents the higher upfront fee structure modeled by Premier and the figures are adjusted according to the geography. For example, the Fairfax alignment will not show revenues for the San Vicente and Beverly Blvd. site because the transit line does not pass through that intersection.

Local Return Funds

The City is unlikely to commit Measure R and M's revenues to the La Brea alignment because that line does not pass through a significant enough portion of the City's jurisdictional boundaries. As such, the funding profile for this alignment excludes any potential revenues from local return funds.

Potential Citywide Sales Tax Increase

When pairing together the revenue from a potential sales tax increase and local return funds, West Hollywood's funding profile begins to approach the necessary EPD targets. However, like with the Local Return Funds, the City is unlikely to commit citywide sales tax revenue to the La Brea alignment because that alignment does not provide as much benefit to the City as the other alignments. The funding profile for that alignment excludes revenues from a potential citywide sales tax increase. For the other alignments, the City can reach approximately 67 percent of its EPD funding target with local return funds and a 0.75 percent sales tax increase considering a high growth scenario.

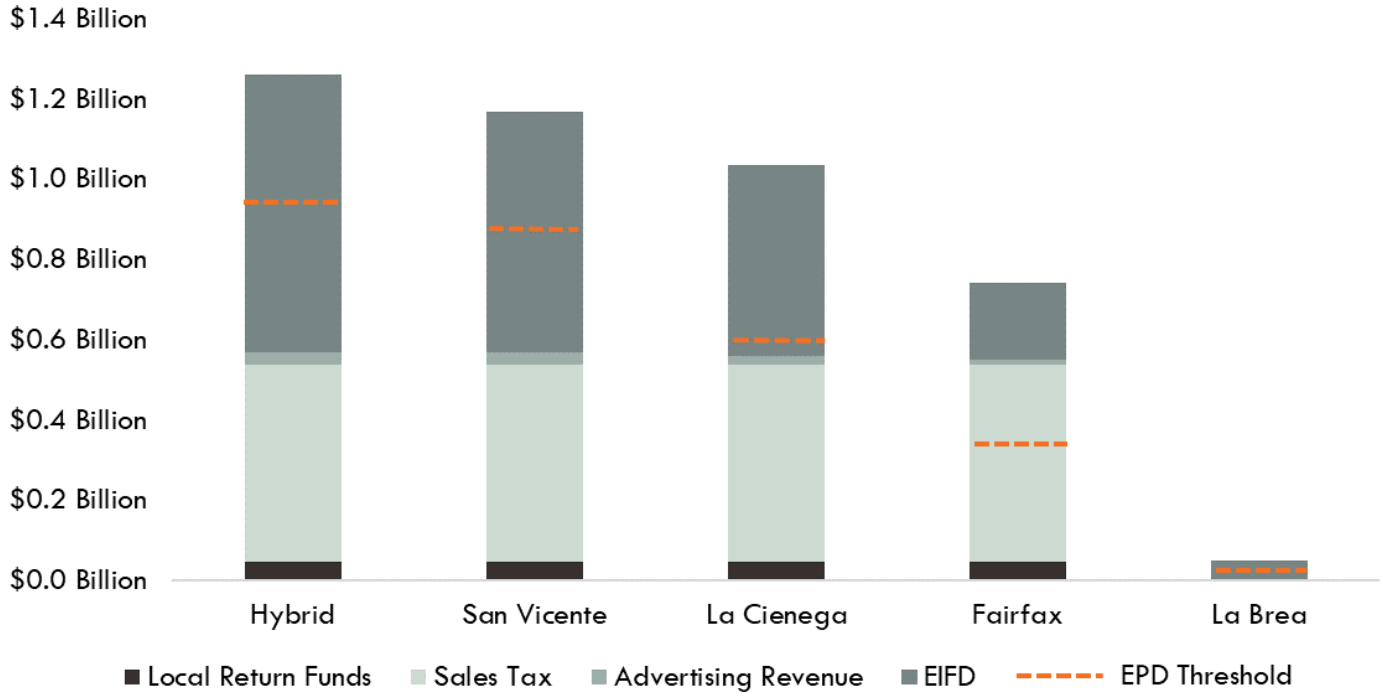
Station-Adjacent Advertising Revenues

There is relatively limited station-adjacent advertising revenue attributable to the Fairfax and La Brea alignments, because those two alignments have a limited number of stations. The Fairfax alignment would only allow the City to capitalize on increased foot traffic from two stations and La Brea would only allow for one station. La Cienega would only benefit from three of the five station sites that were studied, while San Vicente and the Hybrid alignments would benefit from all five stations.

EIFD Revenues

Both baseline and enhanced EIFD results proved to be favorable for West Hollywood under normal economic conditions and sole jurisdictional participation. With the enhanced EIFD revenues, the City's full funding profile over HR&A's projection period can satisfy the necessary EPD requirement for the Hybrid, San Vicente, La Cienega, and Fairfax alignments.

Figure 11: Best Case Cumulative Funding Profile for Half-Mile EIFDs (2019-2065)



Sources: HR&A Advisors

FINANCING CONSIDERATIONS

HR&A has identified several viable sources of funding that, when combined, present the City with a significant funding package that can be presented to Metro as part of the City's EPD Strategy. The City's best-case funding profile is contingent upon the allocation of Measure M and R local return funds, a 0.75 percent increase to the current sales tax rate, a half-mile TIF financing district established through the EIFD, and 12,000 SF of advertising space at each station area. The full funding profiles for each best-case scenario by alignment are presented in the preceding figure.

In aggregate, HR&A's 45-year revenue projections would allow the City to contribute between $57 million and $1.26 billion to the Project, under each funding source's best-case scenario and depending on the alignment selected. However, it is important to note that the funding capacity of the revenue does not directly translate into bondable dollars for upfront funds. Revenue from local return funds and a potential sales tax increase exhibit the most capacity for a large bond issuance before 2028 because these revenues have cash flows that are relatively consistent across the 45-year projection. An EIFD is more difficult to bond against because it takes time for tax increment revenue to grow. However, there are other financing mechanisms available, such as federal Transportation Infrastructure Finance and Innovation Act loans (TIFIA) which would potentially allow more favorable repayment terms, including no debt service payments until after construction is complete and interest only payments for a specified period of time after that. This type of structure is favorable since EIFD revenues do not ramp up until 10-15 years after establishment of the district, and other funds such as sales tax revenue could be used to make interest only payments beforehand. The City has been working separately with a financial advisor to explore creative financing options for these revenue sources, which will be included as a part of Phase 2 of the Crenshaw/LAX Northern Extension Funding and Project Delivery Strategic Plan (this report is Phase 1 (Funding Capacity Analysis)).

SUPPLEMENTAL FUNDING SOURCES

HR&A evaluated the potential of supplementary funding sources that could help bridge the gap between the cost of the Project and the funding identified by West Hollywood to meet the EPD target. This is important because even with the potential revenue contribution directly from West Hollywood the Project still has a funding gap. Traditionally leveraged strategies for transit financing were explored, these include sponsorship and naming rights as well as value capture joint development. HR&A also explored the funding capacity that would result from the City and County of Los Angeles' participation in each of the ten TIF district scenarios previously cited.

SPONSORSHIP AND NAMING RIGHTS

In addition to potential revenues from advertising at station adjacent intersections, station sponsorship and naming rights are another potential revenue source for the Project. However, it is important to note that this revenue would be controlled by Metro not the City of West Hollywood. HR&A conducted a case study analysis of sponsorship and naming rights agreements for both stations and transit lines for six different transit agencies. Results are summarized in Figure 12 below.

Figure 12: Sponsorship and Naming Rights Agreements

Agency	Station	City	Sponsor	Year	Annual Revenue	Annual Passengers	Visibility
MTA	Atlantic Ave-Barclays Center	New York	Barclays	2009	$0.2M	13.8M	Joint naming rights
SEPTA	Jefferson Station	Philadelphia	Thomas Jefferson Univ. Hospitals	2014	$0.8M	7.0M	Exclusive naming rights
SEPTA	NRG Station	Philadelphia	NRG Energy Inc.	2018	$1.1M	1.0M	Exclusive naming rights
SEPTA	Vodafone Sol	Madrid	Vodafone	2013	$1.3M	19.5M	Exclusive naming rights and immersive advertising

Agency	Line	City	Sponsor	Year	Annual Revenue	Annual Ridership	Visibility
RTA	Healthline	Cleveland	The Cleveland Clinic	2008	$0.3M	5.2M	Bus wrap and line branding
RTD	Univ. of Colorado A Line	Denver	University of Colorado	2015	$1.0M	6.6M	Train wrap and line branding
MTS	Sycuan Green Line	San Diego	Sycuan Casino	2017	$0.9M	13.6M	Complete line branding
MTS	UC San Diego Blue Line	San Diego	UC San Diego Health	2015	$1.0M	16.5M	Complete line branding

Sources: HR&A Advisors

HR&A found that this revenue source is relatively small ($0.2 to $1.3M annually) and varies based on station passenger volume and level of visibility. Visibility ranges from joint station or line naming, featuring the sponsor's name with the station's original name, to immersive advertising, where a station or line is branded with the sponsor's name throughout in an exclusive advertising agreement. Given the size of this source, it is likely best suited to help fund operating and maintenance costs which are also a factor in Metro's acceleration decision making.

Since Metro would own and operate each of the line's stations, the City would likely have no formal role in contracting a sponsorship agreement. Nevertheless, the City can leverage its connections with key institutions and corporations to convene negotiations between these entities and Metro. Most likely sponsors include large institutions, such as hospitals or universities, or corporations with strong direct-to-consumer businesses, such as telecommunications or financial institutions, which benefit from increased visibility.

VALUE CAPTURE FROM JOINT DEVELOPMENT

Joint development, in the context of transit related projects, refers to the public-private partnership between a public agency and private developer to develop publicly-owned "excess" land at or proximate to future stations. While the EIFD model assumes the redevelopment of significantly underutilized and vacant parcels, it excludes publicly owned land. For these publicly owned properties, of which there are several in the City of West Hollywood, there is an opportunity to capture some of the incremental real estate development value for the Project by deploying appropriate development strategies and partnerships. These strategies exist on a spectrum from a passive partnership, such as ground leasing, where a development partner pays a pre-determined ground lease to the public agency for the right to develop on a 'clean' property that is made available, to developer-led delivery of transit infrastructure, where the developer plays an active role in funding and delivery of portions of the transit infrastructure in return for the right to develop.

The level of developer partnership in joint development depends upon the timing of private developer engagement in the project (developer-led infrastructure delivery means involvement at early stages of site planning) as well as the potential benefit of a deeper partnership weighed against the additional development risk to the developer. It is important to note that a developer's risk-reward calculus is very different from a public agency's, meaning for the risks to be worthwhile for a developer, the incremental value that integration of the additional infrastructure component creates for the developer must be significantly greater than the developer's capital contribution of providing them. In other words, a developer will typically contribute less directly for the same piece of infrastructure than a public agency would due to the private sector's higher return on investment expectations. Also, delivery of infrastructure directly by a real estate developer often requires the necessity to bring in various areas of expertise, and capital, that results in a different blend of risk return expectations than a discrete infrastructure or real estate project. However, if there is substantial value that can be created and captured, this is a creative project delivery and funding mechanism.

Real estate in the City of West Hollywood is highly desirable as a part of the broader west Los Angeles real estate market. This desirability is reflected in a scan of recent land sales transactions, which shows that on average commercial land of greater than one acre is currently selling for an average of about $22 million per acre; one highly desirable 7.6 acre property slated for redevelopment into the One Beverly Hills hotel and condo project was recently sold for $58 million an acre, and a 0.88 acre property on the Sunset Strip in West Hollywood, that is also slated for redevelopment, recently sold for $80 million.[12] New development on a publicly owned parcel could help unlock this latent value.

Given the strength of the local real estate market, the value creation potential for such a development is likely high enough for a developer to take an active role in any partnership agreement. For City-owned parcels, the City has the power to negotiate the appropriate level of partnership with a private developer. For parcels owned by a public agency other than the City, the City still has an important role to play through the entitlement process to unlock value creation potential, or to further participate in the joint agreement through potential tax rebates. Metro already has an established joint development policy, which was most recently updated in July 2015. This program can serve as a useful resource to structure any joint development negotiations, particularly for properties owned by Metro.

In addition, the Metro Board adopted (June 2018) a "Transit Oriented Communities Policy" (TOC) and Metro staff is currently developing a TOC implementation program. Additionally, Metro is exploring additional

[12] CoStar, June 2019.

policies and programs to support the linkage between transit investment decisions and affordable housing. ("Metro Affordable Housing Policies and Tools," Board staff report, January 16, 2020)."

Further details on these funding sources and the case studies HR&A reviewed to inform this analysis can be found in a briefing prepared for the City entitled "Value Capture Case Studies: Crenshaw/LAX Northern Extension" (Appendix D).

The analysis below is for a large primarily Metro owned site in the City, but as Metro acquires more property for station construction there is the potential for other public private joint development.

Metro Division 7 Bus-yard Site

As a part of our analysis of potential supplemental revenues that could serve to accelerate the Project, HR&A completed a high-level assessment of the value capture potential of redevelopment at Metro's Division 7 Bus-yard site, located in the City of West Hollywood. The Bus-yard sits on about 10.6 acres of prime land on the corner of San Vicente Blvd and Santa Monica Blvd. The site is currently home to a Los Angeles County Sheriff Station and an active bus yard used by Metro, of which the Metro bus yard is the vast majority of the site. The site was evaluated in particular because (1) it sits at the site of a potential future rail station (depending on the alignment chosen), (2) it is the largest underdeveloped site in West Hollywood, and (3) it is publicly owned.

HR&A does not presume Metro would necessarily pledge proceeds of the land redevelopment towards this project as part of our base analysis, but our analysis illustrates value potential if it were to be redeveloped.

Value Capture Estimation Methodology

HR&A undertook a Residual Land Value ("RLV") analysis to identify the value created by a new development which would reconstruct and incorporate the existing bus yard and sheriff station into a larger development while retaining the operational integrity of both existing facilities. RLV represents what a developer would theoretically be willing to pay for land after comparing the potential project value to its total costs (e.g., hard costs, soft costs, and financing costs). This RLV can be the basis of negotiations between Metro, Los Angeles County, the City, and the developer over a Public-Private Development ("P3") structure, such as a fee-simple land sale or ground lease, to help cover facility costs for proposed station at Santa Monica/San Vicente as part of the Crenshaw North Extension.

An RLV analysis requires a development program to estimate the revenue and expense components necessary in determining total project value and land value. HR&A used a 2012 unsolicited proposal from Cohen Brothers Realty Corporation of California (CBRCC) to Metro, which called for a 1.2 million square foot mixed-use development on the property with provisions to replace both the Bus Yard and Sheriff's Station, as a baseline for its financial model. Building upon this baseline, HR&A tested three scenarios as summarized below in **Error! Reference source not found.**13. All scenarios also include 50,000 SF set aside for new local government facilities at the redeveloped bus yard site paid for by the developer. HR&A believes that this RLV analysis is likely to be conservative and could be substantially higher if additional density were allowed on the site, as well as if other non-real estate sources like advertising revenues or potential tax rebates were maximized.

Figure 13: Division 7 Bus Yard RLV Scenarios

Scenario Name	Scenario 1 Cohen Proposal (Baseline)	Scenario 2 New Baseline	Scenario 3 Add'l Parking Reduction
Land Area (SF)	461,736	461,736	461,736
Building Area (GSF)	1,375,000	1,374,000	1,424,000
FAR*	2.98	2.98	3.08
Retail (GSF)	180,000	180,000	180,000
Office	520,000	520,000	570,000
Hotel	175,000	175,000	175,000
Residential Units	419	480	480
Hotel Keys	250	250	250
Parking Spaces	4,428	2,761	1,406

Sources: CBRCC, HR&A Advisors

Descriptions of scenario each are as follows:

- **Scenario 1 - CBRCC Proposal (Baseline)**
  This scenario is based on the 2012 Proposal from CBRCC. HR&A made slight adjustments to include the correct number of statutorily mandated affordable units (20 percent of total), satisfied through the provision of senior housing, and decreased residential unit size to reflect recent multifamily deliveries. This scenario includes 120,000 SF of government office (Sheriff's Station = 50,000 SF, local government facilities = 50,000 SF, Metro offices = 20,000 SF).
- **Scenario 2 – New Baseline**
  This scenario took the CBRCC proposal and switched senior housing to affordable housing, changed residential unit mix to align with recent deliveries (weighted towards studio and 1-bedroom units), and applied a commercial parking reduction ordinance passed by the City in December 2018, cutting some parking requirements by as much as 70 percent.
- **Scenario 3 – Additional Parking Reduction**
  Per City staff request, this scenario applied an additional reduction in parking requirements (50%) and added another 50,000 SF of market-rate office, which counterbalances the 50,000 SF of market-rate office lost for the proposed local government facilities on the site. Staff's request for further parking reductions were because the project would be located on top of a Metro rail station.

Total Development Cost

In general, the total development cost of the redevelopment project is between $750 million and $925 million varying due to program size and level of parking required, per the scenarios described above. The retention and replacement of the Bus Yard is a significant cost totaling nearly $200 million, or between 15 to 25 percent of the total development cost depending on the development scenario.[13]

Total Project Value

Given today's market conditions, the total value of the project would be nearly $1.0 billion dollars. This project value could be partly captured through property taxes and would add significant value to a future Enhanced Infrastructure Financing District.[14] The EIFD projections shown previously in this report do not include additional TIF from the joint development of public assets, the addition of revenues from project specific TIF would increase those figures.

[13] Per Metro provided estimate.
[14] See HR&A's 2019 report entitled "Crenshaw Northern Line Extension, Financial Feasibility Analysis" for more details.

Residual Land Value

According to recent land sale transactions in and around West Hollywood, land greater than one acre is typically selling for $22 million per acre, or approximately $500 per square foot of land. HR&A's RLV analysis demonstrates a depressed project RLV due to the requirements of constructing the Bus Yard, as well as providing non-income producing government offices. Under Scenario 1, these developer concessions would result in a negative RLV, meaning the developer would require a subsidy to deliver the proposed project. Even with a revised program and reduced parking requirements, Scenario 3 at an RLV of $309 per square foot of land still falls short of competitive benchmarks.

To increase RLV there are two main strategies: increase revenue generation for the property or reduce development costs. The project could increase revenues primarily through greater allowable density which would allow for more income producing uses (i.e., apartments, retails, office, hotel). Depending on the amount of density granted, it could be enough to overcome the subsidy and achieve at or above market RLV. The other strategy would likely come through reducing the burden of developer concessions. For instance, instead of having the developer fund the construction of a new local government facilities, West Hollywood could choose to provide the developer payment for this asset in return for the developer delivering it as part of the overall redevelopment project.

This RLV can be the basis of negotiations with a private developer on a P3 structure. While there are more complicated P3 structures, where the developer would deliver additional transportation infrastructure for the proposed Santa Monica/San Vicente station, the simplest arrangement would be a ground lease. A ground lease could yield significant value for Metro and Los Angeles County (the land-holding parties). For example, a yield rate of 6.5 percent applied to RLV in Scenario 2 and Scenario 3 would translate into annual payments of $2.3 million to over $9.3 million respectively.[15] [16] Depending on the timing of redevelopment and openness of the land-holding parties to commit revenue from the project, the redevelopment of this project could be a significant additional capital source to help fund the Crenshaw Northern Extension.

Lastly, this analysis doesn't include further potential financial or entitlement incentives that could be negotiated as a part of an agreement between Metro, the City of West Hollywood, the County of Los Angeles, and a private developer; including, 1) enhanced digital signage entitlements, 2) potential tax rebates (hotel tax and property tax), and 3) entitlements for increased density. These potential incentives would increase the residual land value and overall value of the projects, thus potentially providing greater funds to Metro than what is shown in the following table.

[15] A yield rate is the percentage applied to the land value of a project to determine an annual ground rent payment. While there are other more complicated ground lease structures involving participation or revenue sharing, this example only considers a ground rent payment for illustrative purposes.

[16] HR&A is not acting as a Municipal Advisor (see General and Limiting Conditions). Any ground lease payments would be the result of extensive negotiations between Los Angeles County, Metro, The City of West Hollywood, and a private developer.

Figure 14: Division 7 Bus Yard Scenario Results

Scenario Name	Scenario 1 CBRCC Proposal (Baseline)	Scenario 2 New Baseline	Scenario 3 Add'l Parking Reduction
Development Cost			
Apartment	$234,500,000	$242,900,000	$213,100,000
Retail	$206,800,000	$161,200,000	$134,200,000
Office	$347,200,000	$292,500,000	$287,900,000
Hotel	$137,300,000	$125,300,000	$117,600,000
Total Development Cost	**$925,900,000**	**$821,800,000**	**$752,700,000**
Metro Bus Facility % of Cost	21%	24%	26%
Project Value			
Apartment	$257,900,000	$264,400,000	$264,400,000
Retail	$200,900,000	$197,000,000	$197,000,000
Office	$344,300,000	$343,200,000	$386,000,000
Hotel	$175,700,000	$175,700,000	$175,700,000
Total Project Value	**$978,800,000**	**$980,300,000**	**$1,023,100,000**
Residual Land Value			
Apartment	($8,800,000)	($11,500,000)	$18,200,000
Retail	($31,000,000)	$11,200,000	$38,200,000
Office	($45,900,000)	$7,700,000	$49,900,000
Hotel	$16,400,000	$28,500,000	$36,200,000
Total Residual Land Value	**($69,400,000)**	**$35,900,000**	**$142,500,000**
RLV Per SF Land Area	**($150)**	**$78**	**$309**

Sources: HR&A Advisors

Implications

The Division 7 Bus Yard represents the most significant publicly-owned redevelopment opportunity in the City of West Hollywood. While the City does not have an ownership interest in the project, it plays a significant role in unlocking its value creation potential. Any redevelopment would require a general plan amendment and zone change. Further, the City can offer special entitlement concessions, such as reduced parking requirements and increasing allowable densities, given the unique transit-oriented nature of the project above a future rail station.

Given this potential value, there is an enormous incentive for the City, Metro, and Los Angeles County to work closely together to realize the full potential of this site. Not only can this project offer public benefits of a new Bus Yard, Sheriff Station, and local government facilities, it could potentially contribute significant capital to help fund the Crenshaw Northern Extension through both EIFD revenues and a P3 arrangement for the land (e.g., a ground lease).

LOS ANGELES CITY AND COUNTY EIFD PARTICIPATION

While West Hollywood can meet its EPD local contribution target without EIFD participation from the City and County of Los Angeles, additional funding is required to fill the funding gap for the Project. If the City and County of Los Angeles were to participate in the EIFD, there would be significant additional funding. The City and County of Los Angeles' higher tax rates and large share of parcels relative to West Hollywood enable them to have larger amounts of funding available relative to West Hollywood. Assuming a 50 percent property tax increment contribution from both the City and County of Los Angeles, findings are shown below.

Figure 15: EIFD Funding Profile for West Hollywood and Los Angeles County

	City of West Hollywood		
Alignment and EIFD Buffer	**City of WeHo Alone**	**LA County in City of WeHo**	**City of WeHo and LA County**
Hybrid 0.5 Mile	$0.57 Billion	$0.50 Billion	**$1.07 Billion**
Hybrid 0.25 Mile	$0.40 Billion	$0.35 Billion	**$0.75 Billion**
San Vicente 0.5 Mile	$0.49 Billion	$0.43 Billion	**$0.92 Billion**
San Vicente 0.25 Mile	$0.37 Billion	$0.32 Billion	**$0.68 Billion**
La Cienega 0.5 Mile	$0.40 Billion	$0.35 Billion	**$0.75 Billion**
La Cienega 0.25 Mile	$0.29 Billion	$0.25 Billion	**$0.54 Billion**
Fairfax 0.5 Mile	$0.16 Billion	$0.14 Billion	**$0.29 Billion**
Fairfax 0.25 Mile	$0.10 Billion	$0.09 Billion	**$0.19 Billion**
La Brea 0.5 Mile	$0.04 Billion	$0.04 Billion	**$0.08 Billion**
La Brea 0.25 Mile	$0.03 Billion	$0.02 Billion	**$0.05 Billion**

Sources: HR&A Advisors

Figure 16: EIFD Funding Profile for the City and County of Los Angeles

Alignment and EIFD Buffer	City of Los Angeles		
	City of LA Alone	LA County in City of LA	City of LA and LA County
Hybrid 0.5 Mile	$2.05 Billion	$1.89 Billion	**$3.93 Billion**
Hybrid 0.25 Mile	$0.92 Billion	$0.85 Billion	**$1.76 Billion**
San Vicente 0.5 Mile	$2.10 Billion	$1.95 Billion	**$4.05 Billion**
San Vicente 0.25 Mile	$0.86 Billion	$0.80 Billion	**$1.67 Billion**
La Cienega 0.5 Mile	$2.16 Billion	$2.00 Billion	**$4.16 Billion**
La Cienega 0.25 Mile	$0.83 Billion	$0.77 Billion	**$1.60 Billion**
Fairfax 0.5 Mile	$1.91 Billion	$1.78 Billion	**$3.68 Billion**
Fairfax 0.25 Mile	$0.85 Billion	$0.79 Billion	**$1.65 Billion**
La Brea 0.5 Mile	$1.61 Billion	$1.50 Billion	**$3.11 Billion**
La Brea 0.25 Mile	$0.81 Billion	$0.75 Billion	**$1.56 Billion**

Sources: HR&A Advisors

Figure 17: EIFD Funding Profile for All Municipalities within the District Boundary

Alignment and EIFD Buffer	City of WeHo and LA County	City of LA and LA County	All Municipalities
Hybrid 0.5 Mile	$1.07 Billion	$3.93 Billion	**$5.01 Billion**
Hybrid 0.25 Mile	$0.75 Billion	$1.76 Billion	**$2.52 Billion**
San Vicente 0.5 Mile	$0.92 Billion	$4.05 Billion	**$4.98 Billion**
San Vicente 0.25 Mile	$0.68 Billion	$1.67 Billion	**$2.35 Billion**
La Cienega 0.5 Mile	$0.75 Billion	$4.16 Billion	**$4.91 Billion**
La Cienega 0.25 Mile	$0.54 Billion	$1.60 Billion	**$2.14 Billion**
Fairfax 0.5 Mile	$0.29 Billion	$3.68 Billion	**$3.97 Billion**
Fairfax 0.25 Mile	$0.10 Billion	$1.65 Billion	**$1.75 Billion**
La Brea 0.5 Mile	$0.08 Billion	$3.11 Billion	**$3.19 Billion**
La Brea 0.25 Mile	$0.05 Billion	$1.56 Billion	**$1.61 Billion**

Sources: HR&A Advisors

NEXT STEPS

The technical analysis summarized in the report above indicates the viability of using innovative funding and financing tools to close the funding gap to construct the northern extension of the Crenshaw/LAX Metro rail line (whether built in the near term or 2041) and pursue early delivery of this critical regional transportation project. This extension is a key opportunity for the City of West Hollywood and it's regional partners to advance shared sustainability, active transportation, and economic development objectives. We recommend that the City work closely with Metro, the City of Los Angeles, the County of Los Angeles, and other stakeholders to advance the implementation of the project. Next steps should include the following:

- **Financing Strategy Finalization and Implementation:** Based on the funding sources identified above, the City of West Hollywood should finalize its preferred financing strategy. As described in the analysis, it is unlikely any one funding source would suffice to ensure that the project qualifies for Early Project Delivery per Metro standards, therefore a multi-pronged financing strategy should be finalized and advanced.
- **Consensus Building and Interagency Partnerships:** Implementation of the funding strategy to enable Early Project Delivery will require coordination with stakeholders and officials from the City of Los Angeles, Los Angeles County, and Metro. In particular, participation in an EIFD by LA County and/or the City of Los Angeles will require strong and intentional consensus building to ensure that the goals of all are represented in the creation and implementation of the financing district.
- **Preparation of Overall Funding Strategy:** One of the critical next steps will be the formation of an overall strategy to fund the project, which will take place jointly between all agency partners during the first phase of the Environmental Impact Report. In addition to HR&A, the City has hired a municipal financial advisor (Scully Capital) to assist with the preparation of this strategy. This will be an important next step because it is necessary for the project to move into the project engineering and NEPA portions of the environmental work.
- **Equitable Growth Considerations:** New funding sources, including the potential EIFD, funds from Metro, and other local and regional funding could also be used to improve the overall positive impact of the project as well as mitigate unintended impacts of the Project. Key considerations for further study by the involved parties (i.e. City of West Hollywood, City of Los Angeles, and LA County) could include anti-displacement or gentrification investments, first/last mile improvements, and other district-level infrastructure.
- **Refinement of Funding Capacity Analyses:** The funding capacity analysis is analytically rigorous and utilizes best available data as of Fall 2019 to evaluate funding capacity over a 45 year projection period. However, it is possible that changes in macroeconomic conditions (e.g. faster or slower economic growth), state laws (related to density and/ or tax collection procedures), and other factors may require the refinement of the analysis.
- **Benefits Case:** The completion of the rail extension would usher substantive economic, fiscal, environmental and other benefits for the City of West Hollywood as well as for the City of Los Angeles and Los Angeles County. These quantitative and qualitative benefits should be evaluated and described for the general public in the context of the project cost.

APPENDIX A: METRO EARLY PROJECT DELIVERY GUIDELINES

Proposed Metro Board Policy: Early Project Delivery Strategy

EFFECTIVE DATE:
November 30, 2017

TITLE

- This Policy shall be referred to as the Early Project Delivery Strategy.

PURPOSE

- This Policy establishes clear, uniformly applied criteria to determine if a Measure M Project can be delivered faster than scheduled in the Measure M Expenditure Plan. A comprehensive policy allows for rigorous and expeditious analyses and determinations. It provides for transparency and financial accountability. Projects can be accelerated as long as others are not negatively impacted, pursuant to the Measure M Ordinance.

PROCESS

1. Identify multiple inputs that suggest a potential for acceleration. A screening tool will then be utilized to assist in identifying the inputs that potentially have occurred and whether an initial assessment of the propensity for acceleration is warranted.
2. If warranted, staff will then conduct an analysis to confirm the ability to accelerate a project schedule, determine the extent to which a project could be accelerated and what would be the impacts of that action.
3. The Board of Directors will review the staff analysis and may: (a) give direction to subsequently provide notice and take action pursuant to controlling law; (b) decline to find for early project delivery; or (c) direct staff to undertake further analysis.

GENERALLY

- Multiple acceleration inputs are typically needed to result in accelerating a project schedule.
- A project's funding, schedule, scope or legal/regulatory environment are integral to the acceleration inputs.
- Acceleration inputs considered may also indirectly relate to the project if they are demonstrated to substantially advance system performance or adopted policies of the Board.
- Acceleration inputs are intended to be transportation mode-neutral, unless otherwise indicated (e.g., mode-specific funding revenues or fees).
- Funding considerations must be consistent with all applicable local, state, and/or federal rules and regulations; and Board-adopted debt policy.

DEFINITION

- Accelerator: a single strategic input that could partially support facilitating early delivery of a Measure M project.

STRATEGIC INPUTS FOR EARLY PROJECT DELIVERY

	Accelerator	Points
Funding (30 points)	1. **New Revenue.** Has new, committed funding become available at an amount greater than 25% of the total project construction cost?	15
	A. Is this funding discretionary?	2
	B. Is this funding somehow conditional to the project or time-sensitive?	5
	C. Is funding cash flow available sooner as a result of a delayed project?	3
	D. Are confirmed surplus funds available from another project in the same subregion, based on a final Life of Project budget?	2
	E. Would there be cost savings of at least 25% based on the time value of money resulting from this funding accelerator?	3
Partnerships (30 points)	2. **Regional Responsibility.** Have one or more of the local jurisdictions within which the project is located substantially advanced or committed to advancing the implementation of one or more Metro Board adopted goals and policies that support the integration of transportation and land use for which Metro is reliant upon its local partners to achieve?	6
	3. **Process Streamlining.** Have all responsible local agencies streamlined permitting processes and executed or committed to executing necessary memoranda of agreements prior to awarding of the project construction contract?	5
	4. **Additional Support.** Is the local jurisdiction and/or other local partner contributing at least 10% more than the required 3% contribution or 5%of the project cost within that jurisdiction from other sources?	5
	5. **Value Capture.** Is a local improvement, financing district or other value capture financing tool existing or will be established within three years of the groundbreaking date for the purpose of funding at least 10% of the project cost within the jurisdiction in which the financing tool is established?	5
	6. **Advance Funding.** Is there a proposal by a local jurisdiction or other party to advance funding, which would deliver all or a functional segment of the project 10% earlier?	5
	7. **Impact Fees.** Is there a program to collect a fee in-lieu of providing required parking and/or local traffic improvements, with revenues allocated to transportation demand management (TDM) strategies that are directly dependent on and in support of Metro's project, or a goods movement impact fee program to fund improvements, in conformance with California and federal laws?	4

	Accelerator	Points
Process (25 points)	8. **Streamlined Review.** Is this project currently undergoing or can commit to a streamlined planning and environmental review process that does not exceed three years in duration?	5
	9. **Clearance Complete.** Has this project concluded the planning and environmental review process, needing no more than a refresh of the environmental document(s), not exceeding one year in duration to complete (Operation Shovel Ready)?	10
	10. **Phased Completion.** Can this project be designed to phase improvements to achieve early action, incremental benefits?	8
	11. **Property Availability.** Has at least 75% of the required right-of-way and site acquisitions been completed or is anticipated to be completed within one year?	2
Innovations (15 points)	12. **Alternative Solutions.** Is there an equal or superior, less costly improvement to accomplish the capacity and performance intended by the transportation project?	3
	13. **Technological Innovations**. Are there technological innovations that will reduce the planned capital and/or operating cost of the project?	3
	14. **Consolidated Delivery.** Is there an opportunity to combine two or more projects/segments to achieve economy of scale and minimize impacts of multiple back-to-back construction over a long period of time such that the combined project construction cost is reduced by at least 25%?	3
	15. **Delivery Method.** Is this project the subject of a public-private partnership proposal or other unsolicited proposal that can reduce the estimated construction cost by a minimum of 10% or accelerate the delivery date by at least 5 years?	6

PROPENSITY FOR EARLY PROJECT DELIVERY

High:	67-100	Automatically advances to staff analysis and Board consideration
Medium:	34-66	Advances to staff review, which determines whether Board consideration is warranted
Low:	0-33	Does not advance to staff review nor Board consideration
Exception:	N/A	Project acceleration can unambiguously be demonstrated by an exceptional condition regardless of scoring (e.g., unexpected full funding from outside source)

MEASURE M PROJECT EVALUATION READINESS TOOL (M-PERT)

- M-PERT is an evaluation tool only—not a determinative decision tool.
- Required initial screening step (unless exceptional condition, per above).
- All Measure M projects ordered as listed in the Expenditure Plan are included.
- The above acceleration strategic inputs are set forth as "yes" or "no" questions to answer.
- A score given to each input to measure its relative strength in impacting project timing; a "yes" answer returns the possible score for that input, as listed above.
- An overall score given as a low, medium and high indicator for acceleration.
- An accounting of evaluations conducted is logged and reported.
- The M-PERT tool is for use by Metro staff, Board Directors and their deputy staff.

MAINTAINING PROJECT SCHEDULES: HOW TO HELP METRO DELIVER PROJECTS

	Responsibilities
Funding	• Protect all funding sources allocated to the project, per Metro's financial plan.
	• Keep the project within the budgeted cost identified in the Measure M Expenditure Plan.
Partnerships	• Request design features that have a rational nexus to potential project impacts.
	• Minimize permitting requirements and ensure that ministerial actions are a staff- level decision, done timely.
	• Establish and maintain an effective, genuine public and stakeholder engagement process.
Process	• Select a Locally Preferred Alternative that can be constructed within budget or augmented with reasonably expected, new outside funding sources that are needed to achieve desired community goals and compatibility.
	• Pursue constructive conflict resolution, creativity and solutions that are in rough proportionality to the problem to avoid litigation delays.
	• Thoroughly address environmental issues and avoid project design features that trigger costly mitigation measures.
Innovations	• Rely upon current, proven technology for the project design, rather than await speculative innovations.
	• Seek any necessary regulatory reform and streamlining to allow the rapid deployment of any available state-of-the-art, proven technologies that can increase capacity, reduce travel times or improve safety, which can help keep the project on time and at or below budget.

DISCLOSURE AND RECOVERY PLAN

- A disclosure and recovery plan shall be prepared for a project at risk for delay.

ANNUAL REPORTING AND EVALUATION

- The CEO shall report annually on activities and actions pertaining to this Policy, including projects being considered for early project delivery, the number of screening inquiries conducted for each project using M-PERT and projects under or being considered for a Disclosure and Recovery Plan.

APPENDIX B: POTENTIAL EIFD ALIGNMENT MAPS

This appendix material can be found separately on an online shared files drive maintained by the City of West Hollywood here. The link to access these files is available here.[17]

[17] The full link to the Appendices can be found here: https://onedrive.live.com/?authkey=%21ANzIdEk2N3tarDc&id=84BDC8D4B31D04AA%2119015

APPENDIX C: CITY-CONTROLLED REVENUE FUNDING CASHFLOWS

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[18] The full link to the Appendices can be found here: https://onedrive.live.com/?authkey=%21ANzIdEk2N3tarDc&id=84BDC8D4B31D04AA%2119015

APPENDIX D: VALUE CAPTURE CASE STUDIES

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[19] The full link to the Appendices can be found here: https://onedrive.live.com/?authkey=%21ANzIdEk2N3tarDc&id=84BDC8D4B31D04AA%2119015

APPENDIX E: EIFD REVENUES/CASHFLOWS BY ALIGNMENT AND EIFD SENSITIVITIES

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[20] The full link to the Appendices can be found here: https://onedrive.live.com/?authkey=%21ANzIdEk2N3tarDc&id=84BDC8D4B31D04AA%2119015