Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

File #: 2025-0053, **File Type:** Program **Agenda Number:** 27.

EXECUTIVE MANAGEMENT COMMITTEE
JULY 17, 2025

SUBJECT: ACQUISITION INCENTIVE PILOT PROGRAM

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

A. RECEIVING AND FILING an update on the Acquisition Incentive Pilot Program ("Pilot Program") for the East San Fernando Valley Light Rail Project ("ESFV"); and

B. APPROVING amendments to the Pilot Program by adding incentive payments for Improvements Pertaining to Realty (IPR), adjusting relocation benefits to be in accordance with Federal regulations adopted since the approval of the Pilot Program, and adding the Southeast Gateway Line Project (SGL) to the Pilot Program, contingent upon Federal Transit Administration (FTA) approval

ISSUE

On November 30, 2023, the Board approved the implementation of the Pilot Program for the ESFV Project, to reduce hardships to property owners by incorporating streamlined acquisition and relocation procedures for right-of way delivery. The Pilot Program has been very successful in encouraging property owners to sign voluntary agreements within 60 days. Using this Pilot Program would also benefit the SGL as acquisitions begin this summer.

Furthermore, staff recommends adding incentive payments for Improvements Pertaining to Realty ("IPR") to further encourage voluntary settlements as this continues to remain a challenge. Finally, federal regulations increased the relocation caps similar to the amounts granted by the Pilot Program, and staff recommend aligning Metro's caps with federal caps.

BACKGROUND

The Pilot Program approved by the Board, at its November 2023 meeting, for ESFV included acquisition incentives for owners entering into voluntary settlements within 60 days of receiving Metro's purchase offer. It did not include any incentive for acquisition of IPR's.

IPR's (commonly known as fixtures) also need to be acquired to obtain clear title to the properties. IPR's are not included in the valuation of the real property - they are appraised separately, and a separate unsegregated offer is made to both the owner and the tenant. Prior to LACMTA acquiring or relocating the IPR's, the owner and tenant must reconcile and agree in writing on ownership of the IPR's. Examples of IPR's include surveillance cameras, rolling driveway gates, air compressors, lighting, alarm systems, sinks and other plumbing, and in-ground scales.

The Pilot Program also included raising the relocation benefits caps. The FTA expressed concern about Metro having different relocation caps than the Uniform Assistance and Real Property Acquisition Policies Act of 1970 (URA). However, on May 3, 2024, the Federal Highway Administration (the lead agency for URA) published new increases in federal relocation benefits, which became effective June 3, 2024. The increases are further described in the "Discussion" section below.

Acquisition of property interests is required for the construction and operation of the SGL Project. Metro completed the preparation of the Final Environmental Impact Statement / Environmental Impact Report for the SGL Project, and it was certified by the Board in April 2024. The Project will ultimately provide a 14.5-mile light-rail transit system to connect from the Slauson Metro A-Line Station in the City of Los Angeles to the Pioneer Boulevard Station in the City of Artesia. Metro intends to construct the 14.5-mile segment along the existing right-of-way as an Initial Operating Segment (IOS).

It is anticipated that the SGL IOS Project will require over 40 full-fee acquisitions and over 160 permanent and/or temporary partial acquisitions for four main purposes:

- Construction Staging
- Maintenance & Storage Facility (MSF)
- Stations and Park-and-Ride Facilities
- Traction Power Substation (TPSS)

DISCUSSION

ESFV Acquisitions

Initial offers were made to large industrial and commercial properties needed for the construction and operation of the ESFV Maintenance Storage Facility. The Pilot Program resulted in 12 of the initial 18 property owners accepting the appraised value within 60 days (67% settlement rate). In comparison, Rosecrans/Marquardt Grade Separation Project was a 61% settlement rate, D Line Subway Extension Section 1 - 26%, D Line Subway Extension Line 2 - 69% and D Line Subway Extension Line 3 - 47%. The majority of the D Line Subway Extension Line 2 and 3 acquisitions were subsurface and didn't impact the use of the property, making them easier to attain voluntary settlements. The ESFV properties were high value, complicated acquisitions requiring business relocations. Therefore, it would be anticipated that the ESFV settlement rate would be lower than a subsurface project, but in comparison to the surface projects, and even subsurface, projects, the benefit of the Pilot Program has been clear.

In addition, although the number of days from offer to acceptance was not tracked for those earlier

projects, staff spent months and sometimes years negotiating the voluntary transactions. Having these agreements within 60 days is nearly unprecedented.

The total incentive payments made for the 12 ESFV properties were $6,487,000, representing 5.16% of the appraised value for those properties. Based on estimated condemnation fees and potential settlement outcomes, the amount saved by implementing the Pilot Program for these 12 parcels is $20,000,000 to $25,000,000, which does not include the value of being able to deliver property to the contractor months, if not years, earlier. Metro real estate is responsible for managing the overall right-of-way budget for each project, including acquisition, relocation, loss of goodwill, legal fees and contingency. Upon completion of the real estate acquisition and relocation activities, any unused right-of-way budget will be reallocated to other costs within the project.

Based on the early success on ESFV, staff recommends implementing the Pilot Program for the SGL Project.

IPR's

Establishing ownership of the IPR's can be challenging, ownership may depend on the terms of the lease and the method of installation. In addition, some items that were originally considered IPR's may be able to be disconnected and relocated to the replacement location. In order to fully resolve IPR's, Metro, the property owner, and the tenant, must agree on whether or not the items are IPR's or moveable, the value of the IPR's, and who owns the IPR's. If the property owner and tenant do not agree voluntarily to the ownership of the IPR's, Metro's only recourse is to pursue eminent domain to allow the property owner and tenant to resolve the dispute in a court setting. On the ESFV project, 30 IPR offers were at impasse, requiring Metro to pursue the initial stages of eminent domain to resolve the disputes.

The Pilot Program did not have any incentive for acquiring IPR's and encouraging an owner and tenant to expeditiously reconcile ownership. In order to encourage resolution and to expedite the acquisition of the IPR's, staff recommends the following incentive for IPR acquisitions:

- 20% of the appraised value of the IPR's with a minimum payment of $3,500 and a maximum payment of $70,000.
- Offer must be accepted within 60 days from receipt of the offer evidenced by tenant and landlord-signed purchase and sale agreement.
- The IPR incentive will be divided equally between ~~landlord~~ owner and tenant, regardless of the ownership of the IPR's.
- The IPR incentive will be separate and in addition to any other incentive.

Expected benefits of the IPR incentive program are:

- Development of good rapport with the property owners and tenants
- More certainty in the relocation process by defining the IPR's upfront
- Increased number of voluntary settlements that are not delayed by landlord/tenant

negotiations for IPR
- Schedule savings by expedited release of property for construction
- Reduced condemnation costs

To ensure equitable treatment, it is recommended that retroactive IPR incentive payments be made to ESFV owners and tenants who have already settled IPR's. Since the owners and tenants were not provided the IPR incentive at the time of offer, it's recommended that the incentive be retroactively applied for any IPR agreements reached regardless of the agreements being reached within 60 days of the offer. The total amount of additional retroactive compensation would be $109,918 across 10 owners/tenants.

It is also recommended that the incentive be offered to ESFV owners and tenants who have not yet settled IPR's. The amount of these incentives could be up to $525,400 across 52 owners/tenants if accepted by all property owners and tenants. Given that these property owners and tenants have had the benefit of already reviewing the IPR lists and amounts, staff recommend providing 30 days for property owners and tenants to resolve IPR's. If the Board approves this action, staff will make an IPR incentive offer, which would begin the 30-day timeframe.

Metro staff presented this proposed program to FTA, through email and phone discussions. FTA is considering this recommendation and will respond as soon as possible. This amendment to the Pilot Program is contingent upon FTA approval

Relocation Benefits

As Metro was beginning relocation implementation for ESFV, changes were made to the URA that were very similar to those adopted under the Pilot Program. Below is a comparison of benefits established by FHWA in 2005, FHWA increased benefits in 2024, and the Board increased benefits approved in November 2023.

Benefit Category	FHWA 2005 Maximum	FHWA 2024 Final Rule Maximum	Metro Board Approved 11/30/2023 Maximum
Move cost finding	N/A	$5,000	
Search expenses	$2,500	$5,000	$5,000
Reestablishment expenses - nonresidential moves	$25,000	$33,200	$40,000
Fixed payment for nonresidential moving expenses	$40,000	$53,200	$50,000

Given the similarities in the relocation benefit increases, and concerns shared by the FTA regarding the Pilot Program, staff recommends no longer utilizing the Pilot Program relocation benefits and instead utilizing the amounts established in the FHWA 2024 Final Rule Maximum.

Per Federal and State regulations, the SGL is required to prepare a Relocation Plan to demonstrate relocation planning before requiring any tenant to move. Metro submitted a Preliminary Relocation Plan draft to the FTA for review in August 2024 which incorporated the above relocation benefit caps. FTA indicated the relocation plan must include the critical path and complex relocations and Metro's approach/strategy to accomplish those relocations and minimize impacts to the budget and schedule. This information will be obtained during displacee interviews after offers to the property owners are made.

Metrics
As described in the Pilot Program approved by the Board, a series of metrics will be measured. Although some preliminary results have been provided in this board report, it will likely take 2-3 years to have a comprehensive perspective of the benefits/costs of the pilot program. The metrics used for determining the success of acquisition incentives will include the following:

- Number of parcel owners claiming the incentives
- Duration to settle the acquisition
- Total amount of incentives claimed per parcel
- Number of voluntary vs involuntary settlements

.Determination_Of_Safety_Impact
DETERMINATION OF SAFETY IMPACT

The Board's action will not have an impact on Metro's safety standards.

FINANCIAL IMPACT

SGL funding:
The funding for the acquisition of the rights is included in the fiscal year budget under Project #860201, Cost Center 8510 (Construction Project Management), Account Number 53103, (Acquisition of Land), and Fund 6001 (Light Rail).

ESFV funding:
The funding for the acquisition of the rights is included in the fiscal year 2024 budget under Project #865521, East San Fernando Valley Transit Project in Cost Center 8510 (Construction Project Management), Account Number 53101, (Acquisition of Land), and Fund 6001 (Light Rail).

Impact to Budget
Sources of funds for the recommended actions are Measure R 35%, Measure M 35%, and Federal and State Grants. These funds are not eligible for bus or rail operations.

EQUITY PLATFORM

Amendment of the Pilot Program to incorporate IPR's and add the SGL project will allow the pilot program to reduce hardships to impacted property owners and displacees through increased acquisition payments. The program is designed to promote more voluntary sales of property, which

in turn promotes more positive sentiment about the process, provides a quicker compensation timeline and is better for businesses who need the funding immediately to afford relocation.

The SGL Project will serve a high-travel demand corridor with a significant population that relies on public transportation. In 2017 (the first year of environmental analysis), Black, Indigenous, and People of Color (BIPOC) residents comprised 65 percent of the total Study Area population, with Hispanic/Latino groups alone accounting for 51 percent of the total population. In addition, 44 percent of Study Area residents live below the poverty level, which is higher than the County average of 33 percent, and 18 percent of households do not own a car. Quicker settlements, promoted by the Pilot Program, will allow for the sooner construction of this much-needed SGL line.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

Vehicle Miles Traveled (VMT) was analyzed through the VMT analysis completed for the Project Final EIS/EIR. The analysis identified a reduction in VMT due to the implementation of the project compared to conditions without the project, which demonstrates a benefit from the project and a less than significant impact from an environmental standpoint. Specifically, the VMT analysis in the Final EIS/EIR identified a reduction in daily regional VMT of 130,900 miles compared to the Horizon Year (2042) No Build Alternative conditions. The VMT analysis for the Cycle 7 TIRCP application identified a reduction in regional VMT of 6.6 billion miles over the life of the project.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Recommendation supports the strategic plan goal 1 to provide high-quality mobility options that enable people to spend less time traveling.

ALTERNATIVES CONSIDERED

The Board could choose not to approve the recommendations, which would mean it would continue to be a challenge to resolve IPR's and the SGL project would not be able to benefit from the benefits of the Pilot Program.

NEXT STEPS

If approved, Metro will implement the Program to expedite ROW delivery for both ESFV and SGL and track the metrics. The SGL relocation plan will be brought to the board for review and approval in the

Fall. Staff will evaluate the cost and benefit of the Pilot Program and return to the Board with a recommendation once there is a clear history of costs and benefits.

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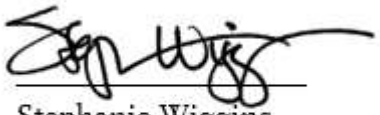

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EXECUTIVE MANAGEMENT COMMITTEE
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Recommendation

Consider:

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Metro

Background

- On November 30, 2023, Board approved the implementation of the Pilot Program for the ESFV Project which included acquisition incentive as follows:
  - 20% of the appraised value with a minimum payment of $3,500 and a maximum of $500,000,
  - Offer must be accepted within 60 days from receipt of the offer evidenced by a seller signed purchase and sale agreement.

- Pilot Program approved increased in relocation caps.

- On May 3, 2024, the federal regulations increased the relocation caps similar to the amounts in the Metro Pilot Program.

- SGL IOS Project will require over 40 full-fee acquisitions and over 160 permanent and/or temporary partial acquisitions.

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Pilot Program Progress to Date on ESFV

- ***Higher percentage of voluntary settlements*** **-** although high value, complicated acquisitions requiring business relocations, ESFV settlement rate of 67% on initial offers was similar to or better than projects with simpler acquisitions.
  - Rosecrans/Marquardt Grade Separation Project - 61%,
  - D Line Subway Extension Section 1 – 26%,
  - D Line Subway Extension Line 2 – 69%,
  - D Line Subway Extension Line 3 – 47%.

- ***Cost savings*** - total incentive payments to date on 12 ESFV properties were $6,487,000, representing 5.16% of the appraised value for those properties. Savings for the same parcels is $20,000,000 to $25,000,000.

- ***Faster settlement of real estate rights*** **-** resolution reached months, if not years earlier.

- ***Examples of IPRs:***

In ground truck scale.

Wall shelving.

Fencing.

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Improvements Pertaining to Realty (IPR's)

- IPR's (commonly known as fixtures) include items such as surveillance cameras, rolling driveway gates, air compressors, lighting, alarm systems, sinks and other plumbing, and in-ground scales.
- Metro, the property owner and the tenant, must agree on
  - Whether or not the items are IPR's or moveable
  - The value of the IPR's
  - Who owns the IPR's.
- Staff recommends the following incentive for IPR acquisitions:
  - 20% of the appraised value of the IPR's with a minimum payment of $3,500 and a maximum payment of $70,000.
  - Offer must be accepted within 60 days from receipt of the offer evidenced by tenant and landlord-signed purchase and sale agreement.
  - The IPR incentive will be divided equally between owner and tenant regardless of the ownership of the IPRs.
  - The IPR incentive will be separate and in addition to any other incentive.

Metro

Thank you

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