

**CDIAC**

**CALIFORNIA  
DEBT AND  
INVESTMENT  
ADVISORY  
COMMISSION**

**UC DAVIS  
EXTENSION**  
LAND USE AND  
NATURAL RESOURCES

UC Davis Extension Land Use and Natural Resources  
In Partnership With  
California Debt and Investment Advisory Commission  
Present:

# Rethinking Development Finance: Financing Development in a Post-Redevelopment World

NOVEMBER 17, 2015

SACRAMENTO, CA

# SESSION ONE

**CDIAC**

**CALIFORNIA  
DEBT AND  
INVESTMENT  
ADVISORY  
COMMISSION**

## CALIFORNIA REDEVELOPMENT: THE GOOD, THE BAD, AND THE UGLY

**MODERATOR: PETER DETWILER**

FORMER LEAD STAFF CONSULTANT  
SENATE LOCAL GOVERNMENT COMMITTEE

**DONALD FRASER**

PRINCIPAL AND PRESIDENT  
FRASER & ASSOCIATES

**DAVID LEVIN**

GENERAL COUNSEL  
SACRAMENTO HOUSING AND  
REDEVELOPMENT AGENCY

**MARIANNE O'MALLEY**

MANAGING PRINCIPAL ANALYST  
LEGISLATIVE ANALYST'S OFFICE

# Redevelopment – The Good

Presented by Fraser & Associates

# The Good

- I will leave the bad and the ugly to others for now – there was also plenty of that
- My theme – we have lost something of great value, and it will take a long time to get it back

- At the mercy of the market economy
- Tastes and trends in real estate change
- It is expensive
  - Extraordinary cost compared to greenfield
  - Often requires funding beyond tax increment
  - But tax increment can be central to success

# Two Case Studies- Napa and South Lake Tahoe

- Both are world class visitor resort destinations
- Both needed many years
  - Napa – 1969
  - South Tahoe – 1985
- Both needed funding source , beyond increment
- Each contributed to major catalyst projects that led to further redevelopment

# Napa Today

- Today Napa is a thriving downtown
- New restaurants, hotels and time shares
- New development along riverfront
- New project area to clean up entry to City ended by Dissolution Act



# Heavenly Village Before



# Heavenly Village After



# REDEVELOPMENT ON THE GROUND: A Long Journey, and What Actually Worked

*Presented by:*

**David Levin,**  
*General Counsel*

**Sacramento Housing and  
Redevelopment Agency**



# Redevelopment Goals:

- Eliminate blight, and
- Increase, improve, and preserve the community's stock of affordable housing

# DOWNTOWN SACRAMENTO, K STREET, AND THE SITE:

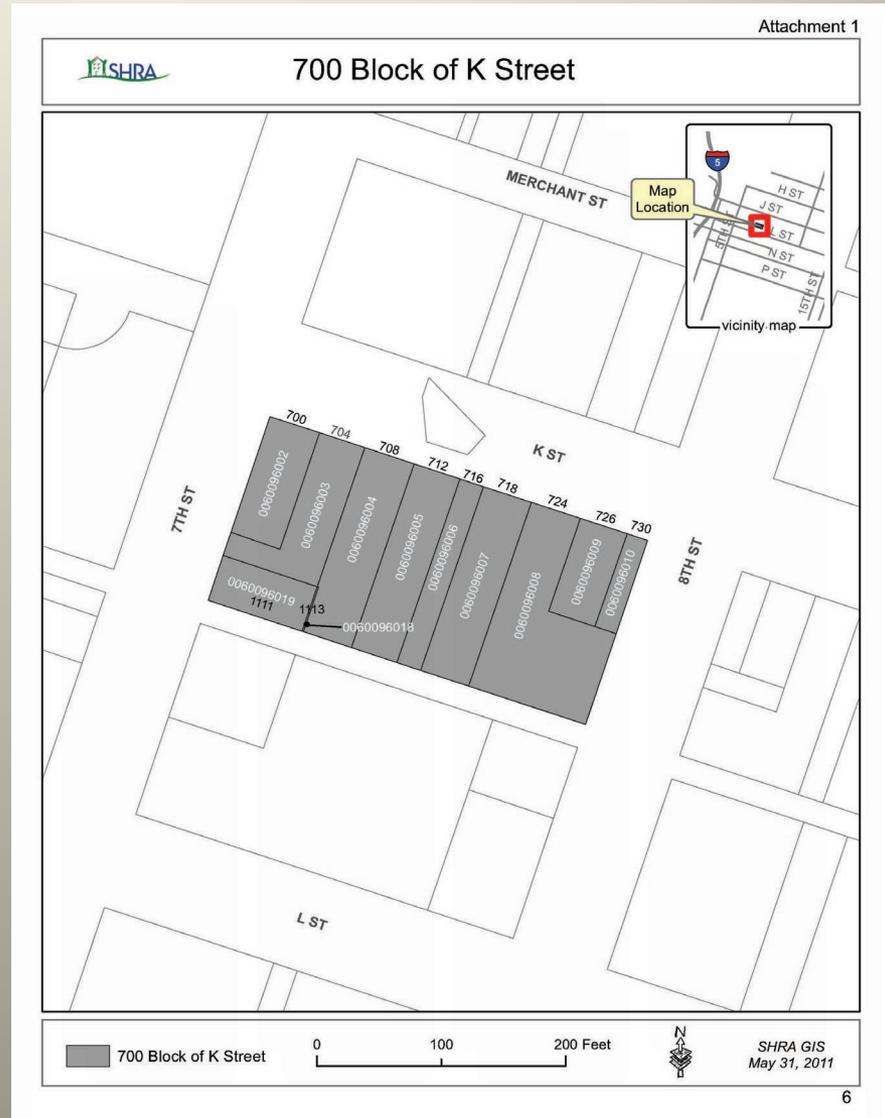
- Redevelopment as a catalyst: Starts and Stops
- Inflated expectations and impatient stakeholders
- Trying to reach a tipping point



One of the more prominent Downtown development projects will take place on Capitol Mall (Lot "A"), which will be built in two phases. Phase One will construct the left-hand tower as shown in the model, which will consist of 660,000 square feet of office space and 15,000 square feet of ground floor retail. Phase Two, the right-hand tower, will include 220,000 square feet of office space, 5,000 square feet of ground-level retail and commercial space, as well as a 300-room hotel. Both phases will incorporate construction of two to three levels of underground parking. The project is scheduled to begin Phase One construction in Fall 1991.

# Acquisition of the Site/ Assembly of the Parcels

Voluntary vs.  
Involuntary



# Selection of the Developer/Project

- Request for Proposals (RFPs)
- Request for Qualifications (RFQs)



# Unforeseen Circumstances/ Obstacles to Success

- Developer commitment
- Lawsuits
- The Great Recession
- Elimination of Redevelopment
- More lawsuits...

# REDEVELOPMENT PROJECT BEGINS:

- 63,000 Sq. feet of rehabilitated commercial/retail space
- Historic preservation of the storefronts
- 137 residential units
  - 122 newly constructed
- 15 units rehabilitated over the commercial space
- Resident amenities will include: community room, fitness center, laundry room, private rooftop garden, and on-site parking





# Contact Information:

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[dlevin@shra.org](mailto:dlevin@shra.org)

SHRA's Website: [www.shra.org](http://www.shra.org)

# Redevelopment: the Good, Bad & Ugly



Presented to:

**University of California Davis Extension Programs  
California Debt and Investment Advisory Commission**

November 17, 2015

**Legislative Analyst's Office**

# Good: Aspirations and Checks

## ➤ **Aspirations**

- Eradicate blight
- Promote economic development
- Build affordable housing

## ➤ **Checks on Potential for Overuse**

- Schools and other local governments watching!
- Taxpayers watching!

# Bad: Alignment With Post 1970s California Public Finance

## ➤ **After 1972**

- Start of school finance “bucket” simile
- Reduced school/parent interest in property tax

## ➤ **After 1978**

- Reduced cities’ other options for paying for economic development projects (property tax, sales tax, etc.)
- Eliminated county and special district authority to raise property tax rates in response to redevelopment

# Ugly: Four Things

- **Redevelopment Expansion**
- **Laws to End/Change Redevelopment**
- **Court Battles**
- **Dissolution Process**

# Ugly: Expansion

- A. 24 Square Miles of Vacant Desert Land**
- B. All Private Land in a Wealthy Coastal City**
- C. Well-Maintained Homes in Area Zoned  
“Equestrian Residential”**
- D. Farmland Protected Under the Williamson Act**
- E. All of the Above**

# Ugly: Expansion (Continued)

- **RDAs Received 12% of All Property Taxes**
  - Over 30% in County of San Bernardino
- **LAO Estimated Cost to Backfill K-14 Districts for RDA Exceeded \$2 Billion Annually**
  - Roughly amount state spent on UC or CSU
- **Proposition 22 (2010) Prohibited State From Shifting Funds From RDAs to Schools**

# Ugly: Laws to End/Change Redevelopment

- **Governor Proposed Ending Redevelopment**
- **Legislature Wanted to Keep Redevelopment**
  - AB X1 26 end redevelopment
  - AB X1 27 create Alternative Voluntary Redevelopment Program
- **\$1.7 Billion for Schools in 2011-12**
  - \$4 million for special districts

# Ugly: Court Battle

- **RDA Advocates: Invalidate Both Laws**
- **State: Uphold Both Laws**
- **County of Santa Clara:**
  - Uphold dissolution
  - Invalidate alternative program

# Ugly: Dissolution Process

## ➤ **Uncertainty about which. . .**

- Projects continue
- City/county loans are paid
- Funds must be transferred

## ➤ **Hundreds of lawsuits**

- SB 207 addressed many issues
- Still unresolved: \$250 million transfer from 37 agencies

## ➤ **Funds from RDA dissolution**

- Lower than expected in 2011-12
- Almost \$6 billion from 2012-13 to 2013-14
- More than half of revenues distributed to schools

# Contact Information

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- 916-319-8326

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**lao.ca.gov**

# MORNING BREAK

**CDIAC**

**CALIFORNIA  
DEBT AND  
INVESTMENT  
ADVISORY  
COMMISSION**

**WE WILL RECONVENE FOR  
SESSION TWO AT 10:30 AM**

## **UPCOMING CDIAC SEMINAR:**

**ADVANCED PUBLIC FUNDS INVESTING: THE ANALYTICS OF INVESTMENT SELECTION AND  
PORTFOLIO DECISION-MAKING**

IN COLLABORATION WITH CALIFORNIA MUNICIPAL TREASURERS ASSOCIATION (CMTA)

JANUARY 27-28, 2016

MORE INFORMATION: [WWW.TREASURER.CA.GOV/CDIAC](http://WWW.TREASURER.CA.GOV/CDIAC)

# SESSION TWO

**CDIAC**

**CALIFORNIA  
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ADVISORY  
COMMISSION**

## GOING BACK INTO THE TOOL SHED: STRATEGIES, PERSPECTIVES AND CONSIDERATIONS

**MODERATOR: DEAN MISCZYNSKI**

ADJUNCT FELLOW  
PUBLIC POLICY INSTITUTE OF CALIFORNIA

**CONSTANTINE BARANOFF**

SHAREHOLDER  
KRONICK, MOSKOVITZ, TIEDEMANN, & GIRARD

**JAMIE GOMES**

MANAGING PRINCIPAL  
ECONOMIC & PLANNING SYSTEMS, INC.

**DIANE CUMMINGS**

CHIEF CREDIT OFFICER AND DEPUTY DIRECTOR  
OF CREDIT  
CALIFORNIA INFRASTRUCTURE AND ECONOMIC  
DEVELOPMENT BANK

**ANDREW STURMFELS**

DEPUTY DIRECTOR OF LEGISLATIVE &  
INTERGOVERNMENTAL AFFAIRS  
CALIFORNIA GOVERNOR'S OFFICE OF  
BUSINESS AND ECONOMIC DEVELOPMENT

**RETHINKING DEVELOPMENT FINANCE:  
FINANCING DEVELOPMENT IN A POST-  
REDEVELOPMENT WORLD**

**UC DAVIS EXTENSION  
IN PARTNERSHIP WITH  
CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION  
Sutter Square Galleria, Sacramento, CA  
November 17, 2015**

# Using the New EIFD Tool for Economic Development

**November 17, 2015**

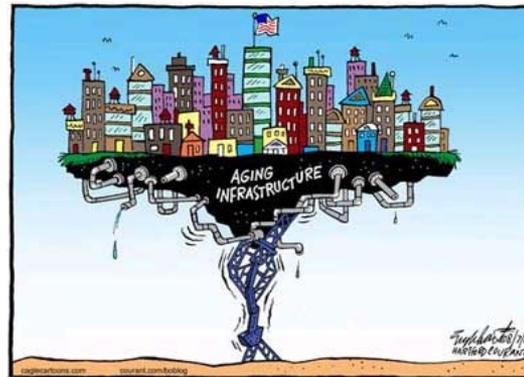
Presented by  
**Constantine C. Baranoff, Shareholder**





# INTRODUCTION – SOURCES OF FUNDING

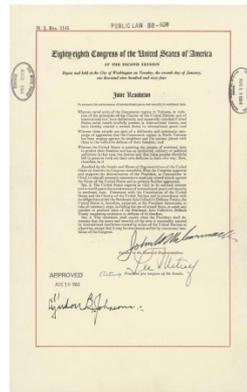
- EIFDs are empowered to provide financing for a broad range of infrastructure work:
- Formation process patterned after Mello-Roos
- Tax Increment



# FORMATION PROCESS



- Process initiated only by city/county although other tax entities may participate
- Adopts a resolution of intention which defines the area, facilities
- AB 313 impact



# WHAT IS THE IFD PLAN?



- The IFD Plan is the heart of the EIFD.
- Specifies what type of facilities are funded, tax increment contributions and other revenue sources
- Defines when the IFD will cease to exist



# FACILITIES WHICH MAY BE FUNDED

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- Includes the purchase, construction, expansion, improvement, seismic retrofit of any real or tangible property with a useful life of 15 years or greater.



# PUBLIC HEARING REQUIREMENT

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## **NOTICE OF PUBLIC HEARING**

- Once the IFD plan is completed and circulated, it must be approved by the affected taxing entities.
- School districts may not participate
- Resolution of formation is adopted after the hearing
- Formation does not require vote of qualified electors





# ISSUANCE OF BONDS - REVENUES

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- In order to issue bonds, a vote of the people is required. Voter approval rate is 55%.
- Circumstances dictate whether vote is by registered voters or landowners
- Tax increment allocated to EIFD supports debt service
- Bundling of other revenues
- Hybrid use of EIFD to fund CFD special tax



# CERTAIN THINGS MUST BE DONE BEFORE THE EIFD PROCESS BEGINS

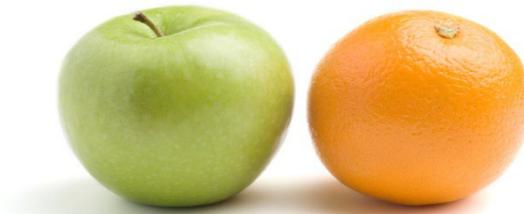
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- The EIFD law allows EIFD to overlap the boundaries of former redevelopment projects.
- Finding of completion from DOF
- No redevelopment assets which are proposed to benefit the EIFD are subject to litigation involving the state
- State controller completes review of RDA transfer



# Differences between RDA/EIFD

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- Tax increment only that which voluntarily contributed
- No finding of blight
- EIFD does not have eminent domain powers

# HOUSING

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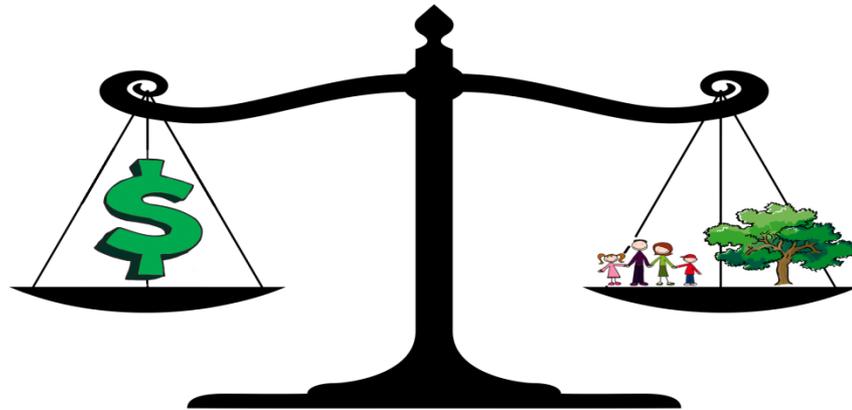
- An EIFD has no mandatory expenditure requirement for affordable housing. However, all housing financed by EIFD must be with a low/moderate affordable housing restriction.



# CONCLUSION

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- A fairly simple vehicle which may be utilized to fill a wide variety of infrastructure needs.



# Thank You!



For more information please visit us at  
[www.kmtg.com](http://www.kmtg.com)



# EIFD Feasibility— Case Study Analysis

*The Economics of Land Use*



*presented by:*

Jamie Gomes, Managing Principal

Economic & Planning Systems, Inc. (EPS)

November 17, 2015

Oakland  
Sacramento  
Denver  
Los Angeles

**Economic & Planning Systems, Inc.**

2295 Gateway Oaks Drive, Suite 250 Sacramento, California 95833  
916.649.8010 • 916.649.2070 fax

# Essential Characteristics of EIFD

- Large enough boundary area (e.g., multiple properties) to capture sufficient tax increment.
- Proposed development projects must be described, quantified, and “market real” in the near term.
- Estimated value, market feasibility, timing, and need for public investment determined by market analysis.
- Estimated cost of infrastructure and related funding needs must be quantified.
- Companion funding sources should be identified.
- Fiscal effects should be measured and affordable to the municipality (reduction in General Fund revenue).

# Case Study Area and Characteristics

- 30,000-resident suburban city in the outer Bay Area.
- 80-acre district with historic town center, prior mix of single-family homes, light-industrial uses, public uses, and agriculture.
- Recent redevelopment has resulted in land use intensification (mixed-use housing/retail) in prime locations.
- 20 acres remain under-utilized and appear well-positioned for redevelopment.
- Horizontal infrastructure improvements are required to support additional redevelopment.

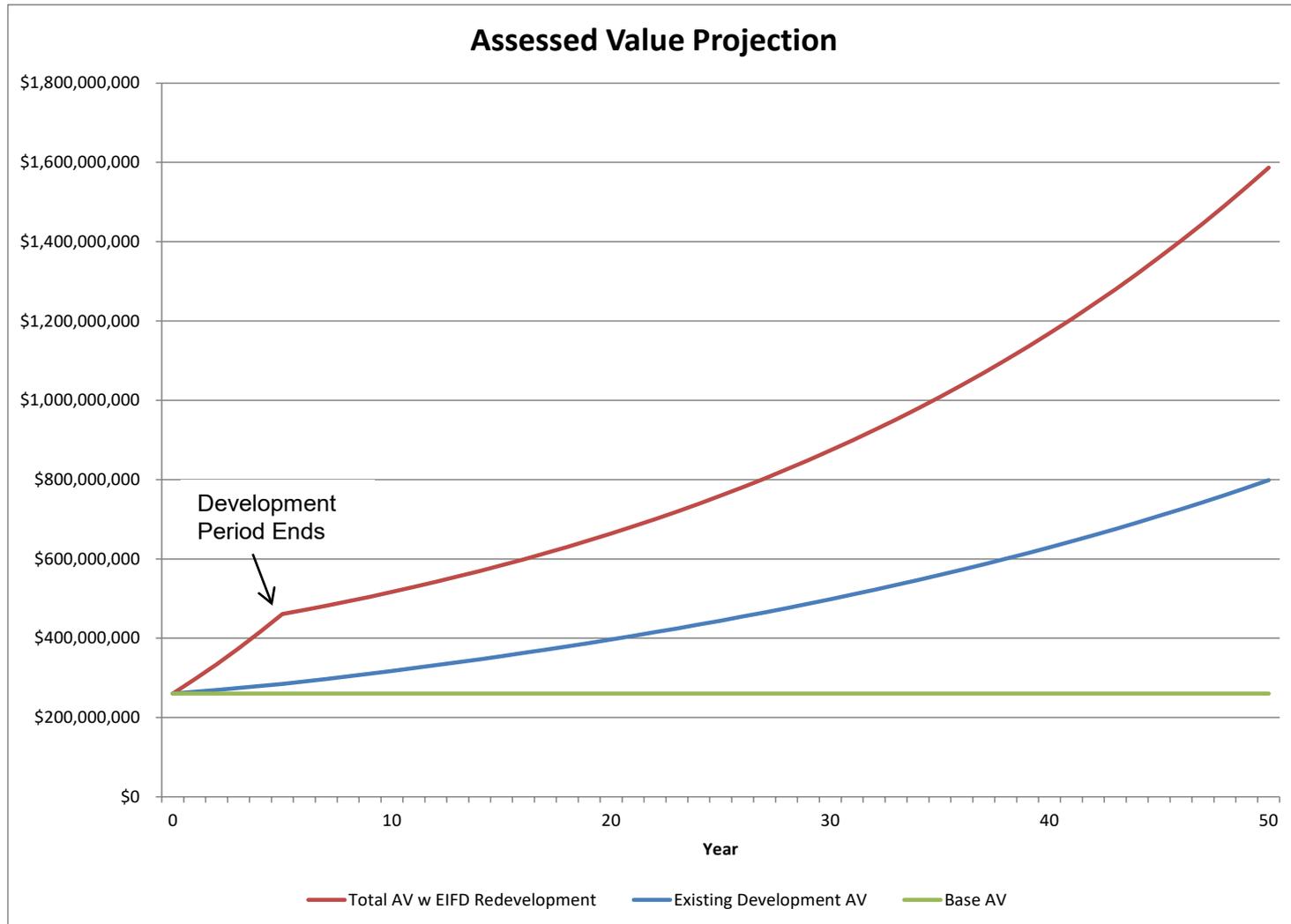
# Case Study Development Projects

- Residential
  - Compact residential development
  - 30 dwelling units/acre
  - 300 units total
  - Market support for \$400,000 to \$500,000 per unit
- Commercial
  - Retail/office/medical office
  - 150,000 square feet
  - Market support for \$275 to \$325 per square foot
- Absorption
  - 5-year absorption of development pipeline

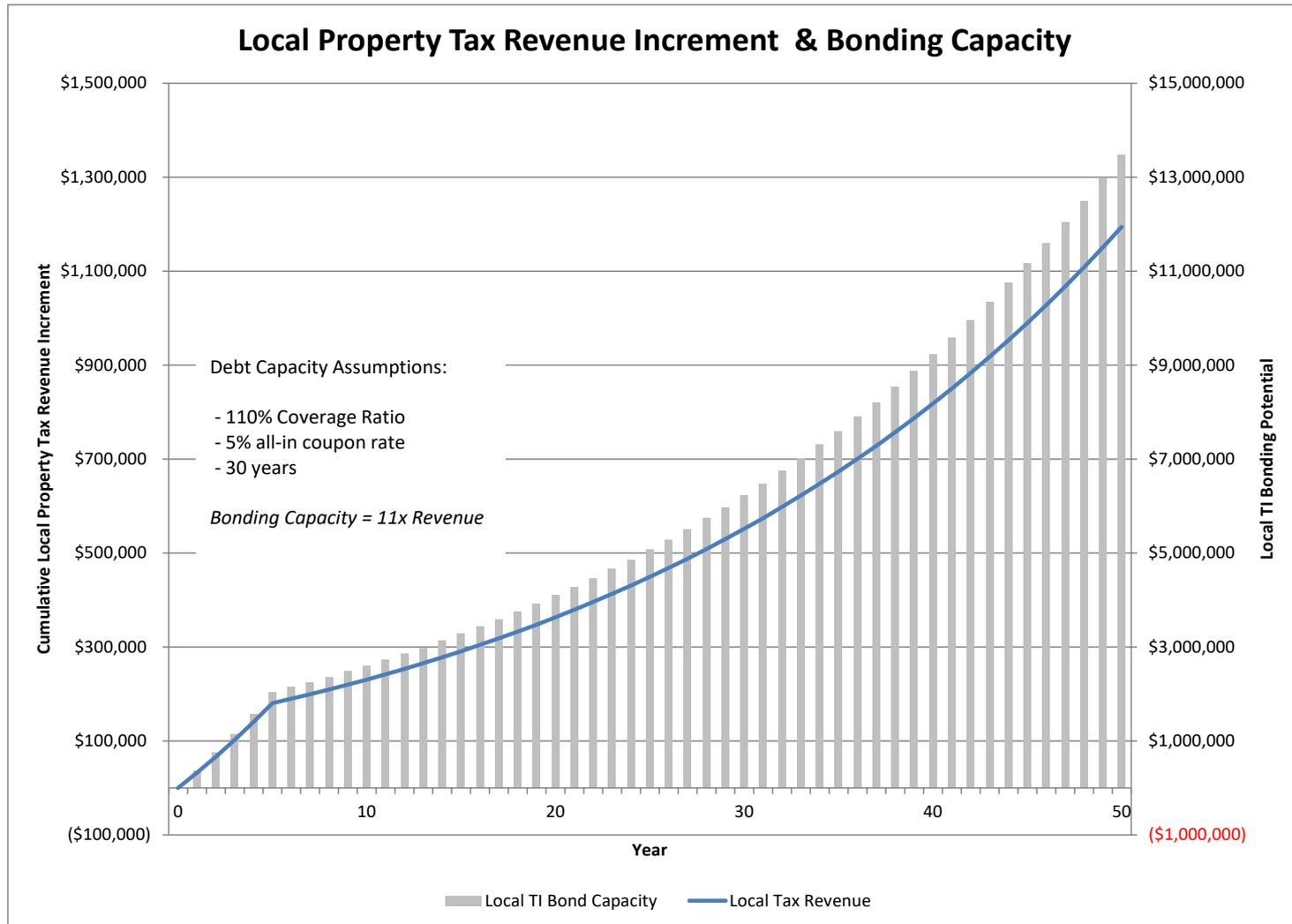
# Tax Increment and Bond Capacity

- Sources of tax increment:
  - New development values.
  - Existing development turnover.
  - 2-percent growth of the existing development and the new development over time.
- Assessed value growth is rapid during buildout and then normalizes; bonding capacity grows proportionately over time.
- The local tax allocation factor is very important to financing capacity—substantial variation exists.
- EIFD financing (bonds) will generally provide “back-end” funding because it may take years for sufficient tax increment to be created.

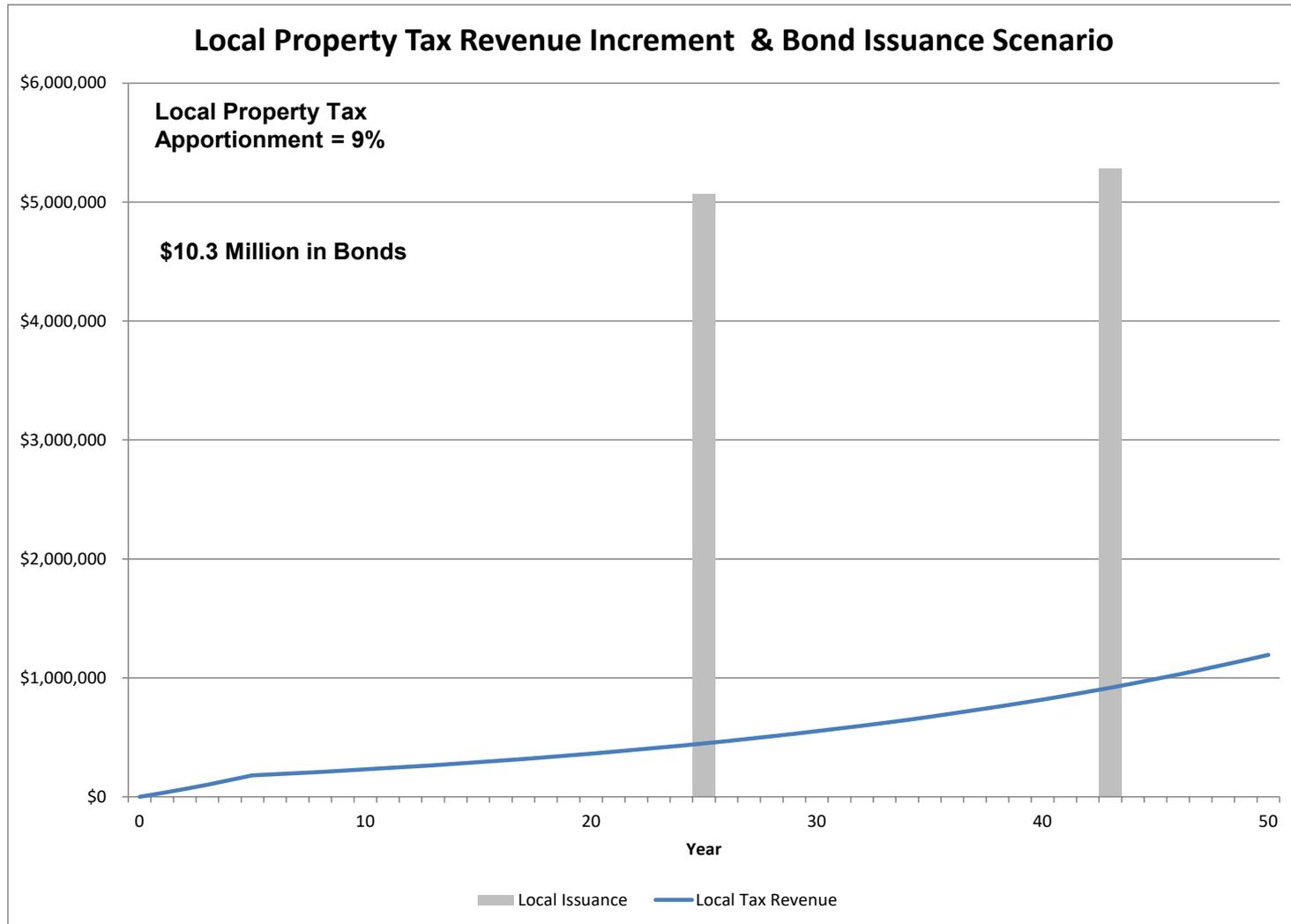
# Assessed Value Forecast



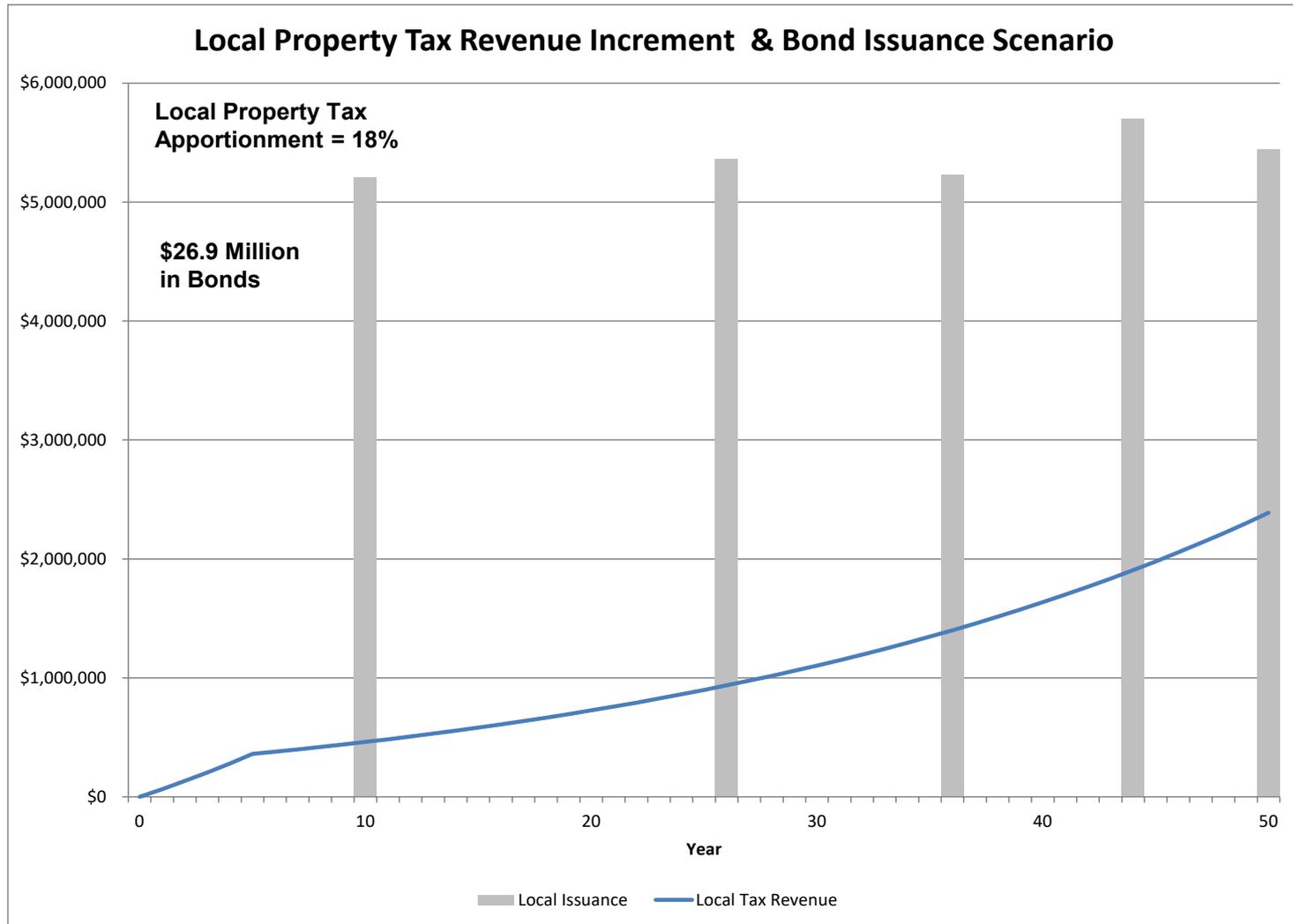
# Assessed Value and Tax Increment Forecast



# Bond Issuance Scenario 1



# Bond Issuance Scenario 2 (2x tax factor)



# Comparison of Scenarios

- Scenario 1

- A 9-percent increment produces approximately \$10 million in proceeds, with an initial issuance delayed for up to 25 years.

- Scenario 2

- An 18-percent increment produces approximately \$27 million in proceeds, with an issuance in year 10.

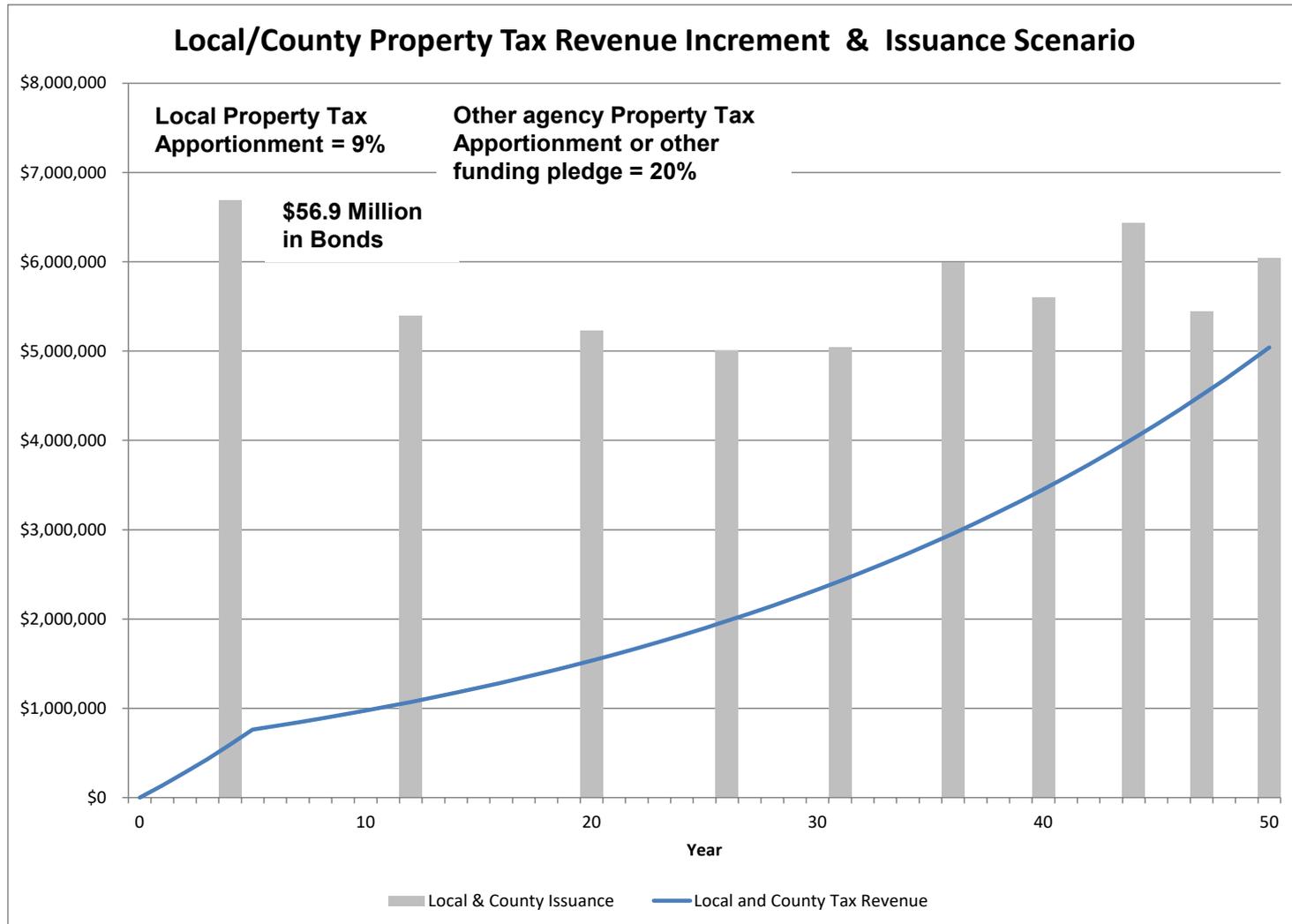
- Conclusions

- Bridge financing is critical (early dollars from other sources).
- Additional property tax increment or other revenue pledges to increase bond capacity.

# Other Funding Sources

- Development impact fees, Mello-Roos CFD special taxes, user fees, and matching funding from other agencies.
- Partnerships with other taxing jurisdictions (e.g., county) involving a pledge of their property tax increment.
- Pledging city “property tax in lieu of sales tax,” transient occupancy tax, or other local revenue sources.
- Achieving State participation (matching funding) for qualifying EIFDs.
- Assuming such other funding sources in Scenario 3, bond capacity increases to \$56.9 million, with first issue in year 5.

# Bond Issuance Scenario 3—Includes County Participation



# Summary—Key EIFD Feasibility Issues

- Justification—do the infrastructure investments serve a public purpose?
- Affordability—are the fiscal effects acceptable?
- Development Feasibility—is there a strong likelihood of development occurring in a timely manner?
- Other Funding—is funding available to cover early year costs and to supplement bond debt service?
- Effectiveness—do combined financial resources and bonding capacity pay for needed infrastructure?
- Creditworthiness—is scale and quality of development adequate to attract bond buyers?

# Rethinking Development Finance

*...the other tools in the shed*

**ANDREW STURMFELS**

DEPUTY DIRECTOR OF LEGISLATIVE &  
INTERGOVERNMENTAL AFFAIRS

CALIFORNIA GOVERNOR'S OFFICE OF BUSINESS  
AND ECONOMIC DEVELOPMENT

# A New Paradigm

- Development finance now often a piecemeal approach
- Successful projects include a cornucopia of funding sources and financing types
- No two projects are the same
- Staff have to become experts in a variety of funding programs and how to access them
- The successful are savvy, connected, opportunistic, nimble, and agile

# ...the other tools in the shed

## **Tax Credits & Abatements**

- Business/Economic Development
- Renovation of Historic Property
- Community Facilities
- Affordable Housing

## **Grants**

- Planning
- Brownfield
- GGRF
- Energy Efficiency, Water, & Advanced Fuels
- Non-Profits
- CDBG
- Transportation / COGS

# ...the other tools in the shed

## **Loans**

- Targeted Economic Development
- Energy Efficiency & Water
- Infrastructure

## **Financing Districts**

- Business, Tourism, Community Facility

## **Other**

- EB-5
- ETP
- CIIP
- COP
- Settlement Funds

# Perspectives and Considerations

- **Think outside the box.** It isn't just about financing “x” or “y” – it's about the bottom line for the project.
- **State and Federal programs** were created to help encourage investment that aligns with their policy goals.
- **Financial Readiness** – sound fiscal management helps position an organization to take advantage of opportunities.
- **Project Readiness** – Get projects shovel ready. Communities with shovel ready projects open themselves up to opportunity.

# Going Bank into the Tool Shed: Strategies, Perspectives, and Considerations

Presented by:

California Infrastructure and Economic Development  
Bank (IBank)

Presenter:

- Diane Cummings, IBank Deputy Director of Credit





## Four Programs

- **Infrastructure State Revolving Fund Program (ISRF)(Direct Loans)**
- **California Lending for Energy and Environmental Needs Center Programs (CLEEN) (Direct Loans)**
- **Conduit Bonds Program**
- **Small Business Loan Guarantee Program**

# INFRASTRUCTURE STATE REVOLVING FUND ISRF LOANS

- **Public Agencies**
- **18 Project Categories**
- **\$50,000 to \$25,000,000**
- **Term: Useful life of the project**
- **Maximum 30-years**



# INFRASTRUCTURE STATE REVOLVING FUND ISRF LOANS

## Eligible Applicants

- Any Subdivision of a Local Government
- Cities/Counties
- Special Districts
- Assessment Districts
- Joint Powers Authorities
- Public Benefit, Tax Exempt Non-Profit Corporations (as deemed eligible)

# INFRASTRUCTURE STATE REVOLVING FUND ISRF LOANS

## Eligible Projects

- **Streets, Highways and Public Transit**
- **Water, Sewage and Solid Waste**
- **Environmental Mitigation**
- **Public Facilities: Schools, Ports, Parks, Utilities, Public Safety, etc.**
- **Commercial Facilities, Cultural/Social, Industrial etc.**

# INFRASTRUCTURE STATE REVOLVING FUND ISRF LOANS

## Sources of Repayment

- Enterprise Revenues
- Rate payer fees: water, sewer, other
- General Fund revenues
- Property assessments
- Mello-Roos Special Taxes
- Other recurring revenues acceptable to IBank

# INFRASTRUCTURE STATE REVOLVING FUND ISRF LOANS

## Other Criteria

- Pay Prevailing Wages
- Use DIR Contractor Prequalification Worksheet

# INFRASTRUCTURE STATE REVOLVING FUND ISRF LOANS

## Rate Methodology

- Benchmarked to Thompsons Municipal Data Index
- Generally below market rate

# INFRASTRUCTURE STATE REVOLVING FUND ISRF LOANS

## Del Norte County Solid Waste & Recycling Facility

**\$3.535  
million**

- Construction of transfer station
- Gatehouse and scale
- Hazardous waste building
- Installation of power, water and sewer

Phase 1 of a project in Crescent City for a new facility



# INFRASTRUCTURE STATE REVOLVING FUND ISRF LOANS

## City of Redlands

### Pavement Accelerated Repair Implementation Strategy (Paris)

- \$3.50 million
- Upgrade 2/3 of all Redland streets
- Rehabilitate the equivalent of 40 miles of public streets in major economic areas
- Enhancing curb appeal for existing businesses attracting new businesses
- Greater ease of access for customers
- Making Redlands a destination-- bringing an influx of investment to the City





## California Lending for Energy and Environmental Needs Center (CLEEN Center)

### Helps State with:

- Greenhouse Gas Emissions Reduction goals
- Reduces energy efficiency costs
- Enhances market confidence in clean investing

# Eligible “municipalities”

Cities

Counties

Special Districts

Assessment Districts

Joint Powers Authorities

Other State and Local Governmental Entities

# CLEEN Projects (examples)

- **Advanced metering systems for conversion of master-metered buildings to sub-metering**
- **Data center, information technology, communications**
- **Energy management and/or control systems**
- **Demand response programs**
- **Water/wastewater, pipeline, mining/extraction, and similar end-use processes, facilities, buildings, and infrastructure**
- **Lighting and control systems**
- **Converting incandescent to CFL**
- **LED repairs, replacements and upgrades**
- **Heating, ventilation and air conditioning systems (HVAC)**
- **Building envelope**
- **Occupant plug load management systems**
- **Load reduction**
- **Thermal and electric energy storage**

# Contact Information

- Infrastructure State Revolving Fund (ISRF)
  - Tad.Thomas@ibank.ca.gov
  - (916) 341-6703
- CLEEN Center
  - Teveia.Barnes@ibank.ca.gov
  - (916) 341-6600
  - [Diane.Cummings@ibank.ca.gov](mailto:Diane.Cummings@ibank.ca.gov)
  - (916) 341-6635
- Bond Programs
  - Fariba.Khoie@ibank.ca.gov
  - (916) 341-6644

# Other Financing Resources

- [http://ibank.ca.gov/funding\\_programs\\_overview.htm](http://ibank.ca.gov/funding_programs_overview.htm)
  - [California Financing Programs](#)
  - [California Grant Programs](#)
  - [Federal Financing Programs](#)
  - [Federal Grant Programs](#)
  - [Nonprofit and Other Funding Programs](#)
- [http://cfcc.ca.gov/ca\\_financing.htm](http://cfcc.ca.gov/ca_financing.htm)



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COMMISSION**

# LUNCHEON FOR ALL

**WE WILL RECONVENE FOR  
SESSION THREE AT 1:00 PM**

## **UPCOMING CDIAC WEBINAR:**

**ADVANCED PUBLIC FUNDS INVESTING: THE ANALYTICS OF INVESTMENT SELECTION AND  
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# SESSION THREE

## LOCAL DEVELOPMENT FINANCE: CURRENT BEST PRACTICES

**CDIAC**

**CALIFORNIA  
DEBT AND  
INVESTMENT  
ADVISORY  
COMMISSION**

**MODERATOR: FRED SILVA**

SENIOR FISCAL POLICY ADVISOR  
CALIFORNIA FORWARD

**JAMIE GOMES**

MANAGING PRINCIPAL  
ECONOMIC & PLANNING SYSTEMS, INC.

**AARON LAUREL**

ECONOMIC DEVELOPMENT MANAGER  
CITY OF WEST SACRAMENTO

**JAN PERRY**

GENERAL MANAGER  
ECONOMIC & WORKFORCE DEVELOPMENT  
DEPARTMENT  
CITY OF LOS ANGELES

# Municipal Economic Development Strategies Post-RDAs

“Rethinking Development Finance”

Nov. 17, 2015, Sacramento, Calif.

Presented by Jan Perry, General Manager  
Los Angeles Economic & Workforce Development Department

# Moving past the RDA era

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With the demise of the state's Redevelopment Agencies, local governments are looking for new ways of spurring economic development. Redevelopment Agencies were a powerful tool in sparking private-sector investment.

But all is not lost. Using a combination of old financing tools and incentives, and the new Enhanced Infrastructure Financing Districts (EIFDs), California cities can leverage private investment in development, including thousands of former Redevelopment Agency properties.

# RDA properties: State Overview

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427 “successor” agencies in California are in the process of completing Property Management Plans. Those plans will determine how more than 3,000 former Redevelopment Agencies properties are repurposed.

This presents a one-time opportunity for cities leverage public properties and zoning laws to revitalize communities and finance infrastructure.



# Cities have eight basic tools

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1. Real Estate/former Redevelopment Agency properties

2. Joint Powers Authorities (JPAs)

3. Rebate of Taxes/Revenues

# Eight tools (Cont'd)

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4. Land Use/Zoning - This is the most powerful “tool.”  
(Includes expedited entitlements; development agreements; and “upzoning” to increase densities.

5. P3/Project Delivery Methods

6. Property Assessment Clean Energy Finance Program (PACE)  
(Allows commercial, industrial, retail, apt. buildings, nonprofits to install “green” technologies with no upfront cost. Repayment is spread over 10 years on the property tax bill).

# Eight tools (Cont'd)

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7. Special Districts (Tourism, BIDs, etc.)

8. Enhanced Infrastructure Financing District (EIFDs). This is a new and intriguing tool, enacted in January 2015. We will get back to it in a minute.

# RDA properties: Los Angeles

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The City of Los Angeles has optioned 11 former CRA/LA sites throughout the City and is working on plans to develop these properties for the originally intended redevelopment uses.

Separately, the City's Housing Department will solicit RFPs on 27 sites they acquired from the CRA/LA for affordable housing proposals.



# Enhanced Infrastructure Financing Districts

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## **Pros:**

Flexible--can be used for a variety of projects.

No election needed to form district

Tax increment available for up to 45 years.

Stimulates development through infrastructure improvements and job creation

# EIFDs (Cont'd)

---

## Challenges:

Requires regional cooperation (cities, counties special districts must agree to share tax increment)

Tax increment cash flow is slow to build

“Cleanup” bill (AB 313) ensures that an EIFI not reduce affordable housing stock of residents without compensation.



# EIFD example: Los Angeles River revitalization

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**February 2015:** Los Angeles City Council committee recommends moving forward on creation of one or more River Revitalization EIFDs along the 32-mile stretch of the Los Angeles River.

**Current:** Los Angeles Economic & Workforce Development Department is analyzing various scenarios for the size, scope, projects and financing structures for the EIFDs.

**Next step:** City Council and Mayor adopt a Resolution of Intention to form an EIFD.

# EIFD Example (Cont'd)

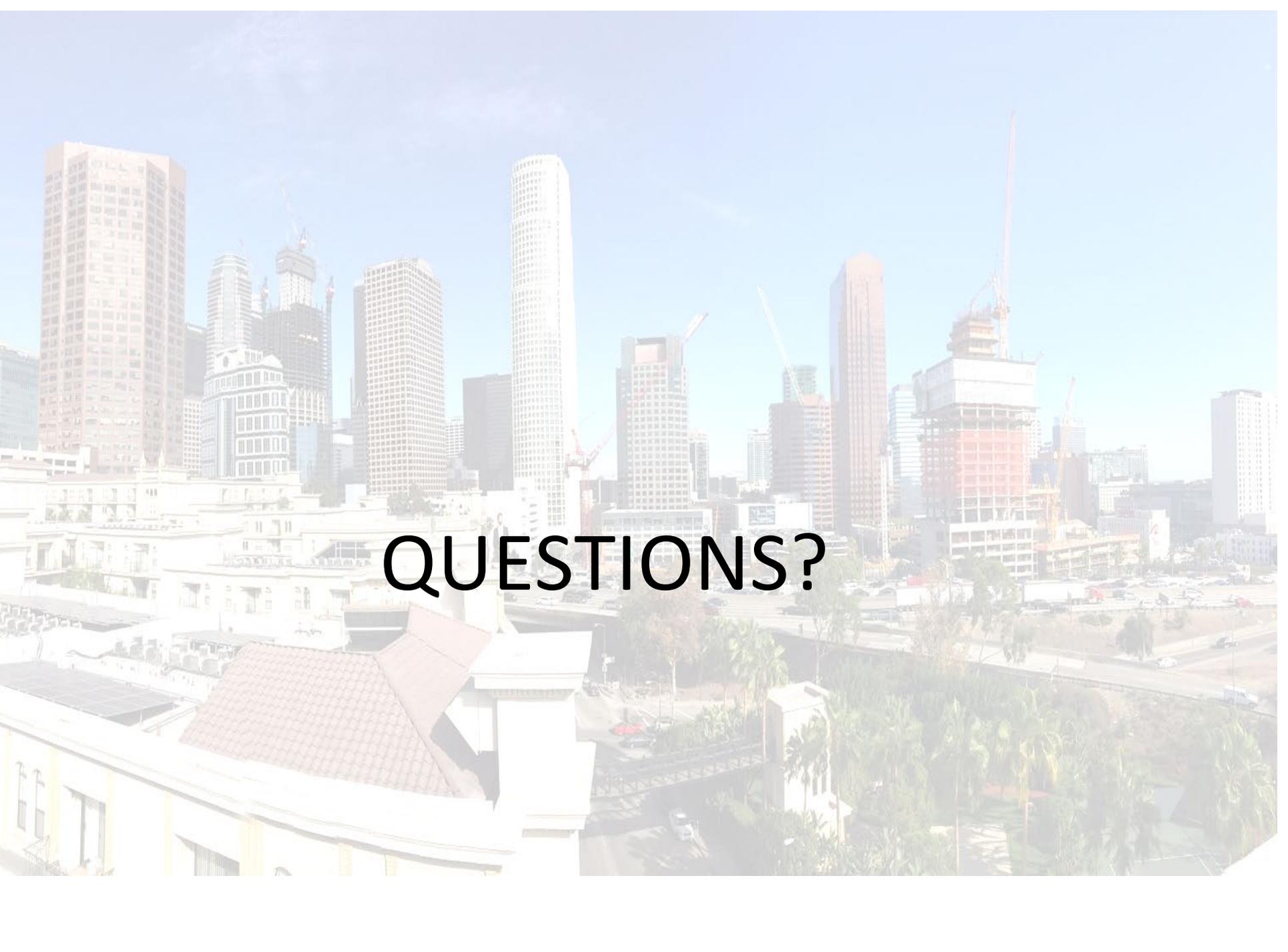
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The city and partner agencies agree on boundaries and sharing of tax increment, and after public hearings, the vote to establish an EIFD is taken.

EIFDs could be used to pay for potential infrastructure projects along the Los Angeles River.

The tax increment created by an EIFD would, with time, contribute a portion of the estimated \$500 million the City of Los Angeles must contribute towards the more than \$1 billion cost of renovating the first 11-mile portion of the river.

An aerial photograph of a city skyline, likely San Francisco, featuring prominent skyscrapers such as the Transamerica Pyramid and the Transamerica Pyramid. The foreground shows a residential building with a brown tiled roof and a parking lot. The word "QUESTIONS?" is overlaid in large, bold, black capital letters across the center of the image.

**QUESTIONS?**

# Development Finance Best Practices—Case Study

*The Economics of Land Use*



*presented by*

Jamie Gomes, Managing Principal

Economic & Planning Systems, Inc. (EPS)

November 17, 2015

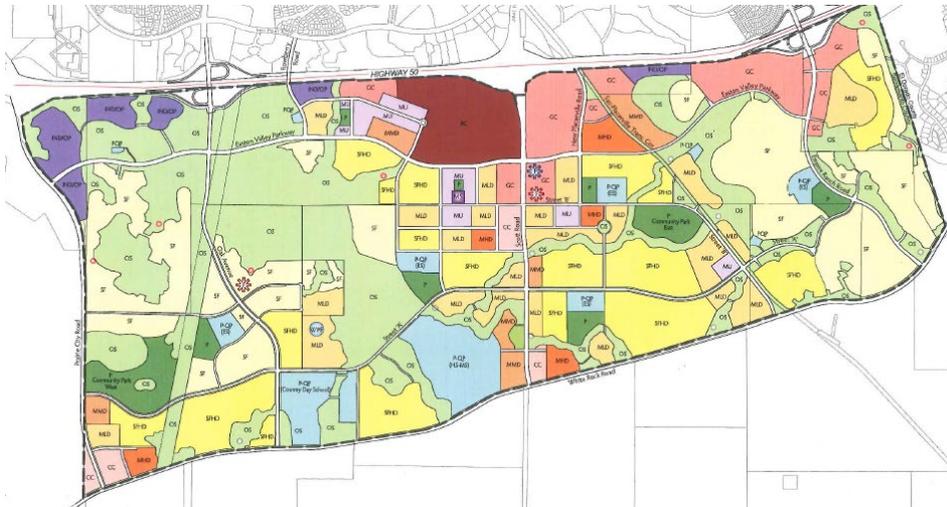
**Economic & Planning Systems, Inc.**

2295 Gateway Oaks Drive, Suite 250, Sacramento, California 95833  
916.649.8010 • 916.649.2070 fax

Oakland  
Sacramento  
Denver  
Los Angeles

# Presentation Overview

- Case study of Folsom Plan Area Specific Plan.
- Greenfield project versus infill.
- Financing principles are applicable in multiple contexts.
- Lessons learned during project implementation.



CITY OF  
**FOLSOM**  
DISTINCTIVE BY NATURE

# Folsom Plan Area Specific Plan

- Project context
  - Multiple property owners (residential and nonresidential).
  - Annexation and tax sharing required.
  - Specific Plan and Development Agreement(s).
  - Water Supply Agreement.
  - Public Facilities Financing Plan.

# Folsom Plan Area Specific Plan (cont.)

- Public financing issues/circumstances
  - Reduced share of property and sales taxes.
  - Measure W provisions.
  - Annual water supply costs.
  - Water treatment plant “buy-in” costs (and timing).
  - Backbone infrastructure versus public facilities.
  - Interchanges and Highway 50 mitigation.
  - Quarry Truck Management Plan.

# Folsom Plan Area Specific Plan (cont.)

- Financing mechanisms considered
  - Development impact fees.
  - Water and sewer utility rates.
  - Mello-Roos Community Facilities District.
  - I-Bank loan.
  - State grants.
  - Private financing (debt and equity).
  - City loan.
- Financing Plan included combination of many sources.

# Development Impact Fees

- City facilities
  - Pooled facilities fees.
  - Stand-alone fees.
- Specific Plan Infrastructure Fee (SPIF)
  - Pooled for backbone infrastructure.
  - Rules for reimbursement and fee credits.
- Other agency fees
  - Regional facilities.
  - Schools.

# Land Secured Financing Strategy

- Water supply and facilities CFD
  - Annual water supply costs.
  - Water facilities “buy-in” costs.
  - Water supply cost transitions to user rates.
- CFD No. 18—areawide facilities and services
  - Willow Hill costs.
  - Water and sewer facilities.
  - Aquatic center.

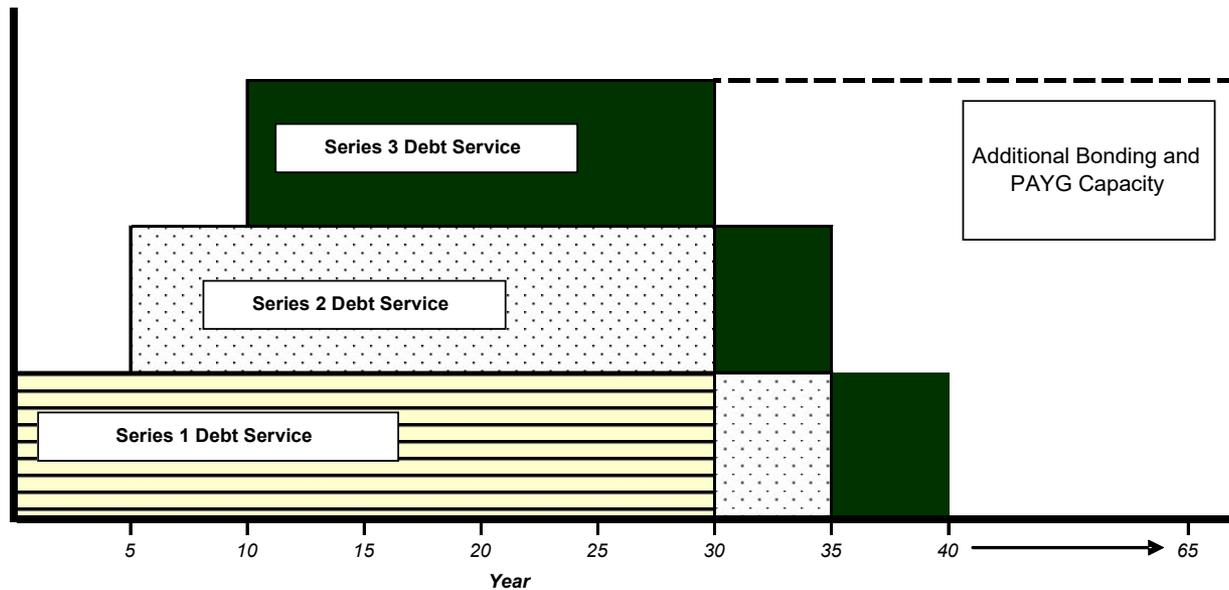
# Land Secured Financing Strategy (cont.)

- CFD No. 18—Areawide facilities and services (cont.)
  - Interchanges (portion).\*\*
  - Road widenings (portion).\*\*
  - Trails (portion).\*\*
  - Quarry TMP costs.\*\*
  - Maintenance of areawide facilities
    - Landscape corridors, medians, and street lights.
    - Storm drainage facilities.
    - Open space.

\*\* = Funded through pay-as-you-go revenues and the extended-term CFD.

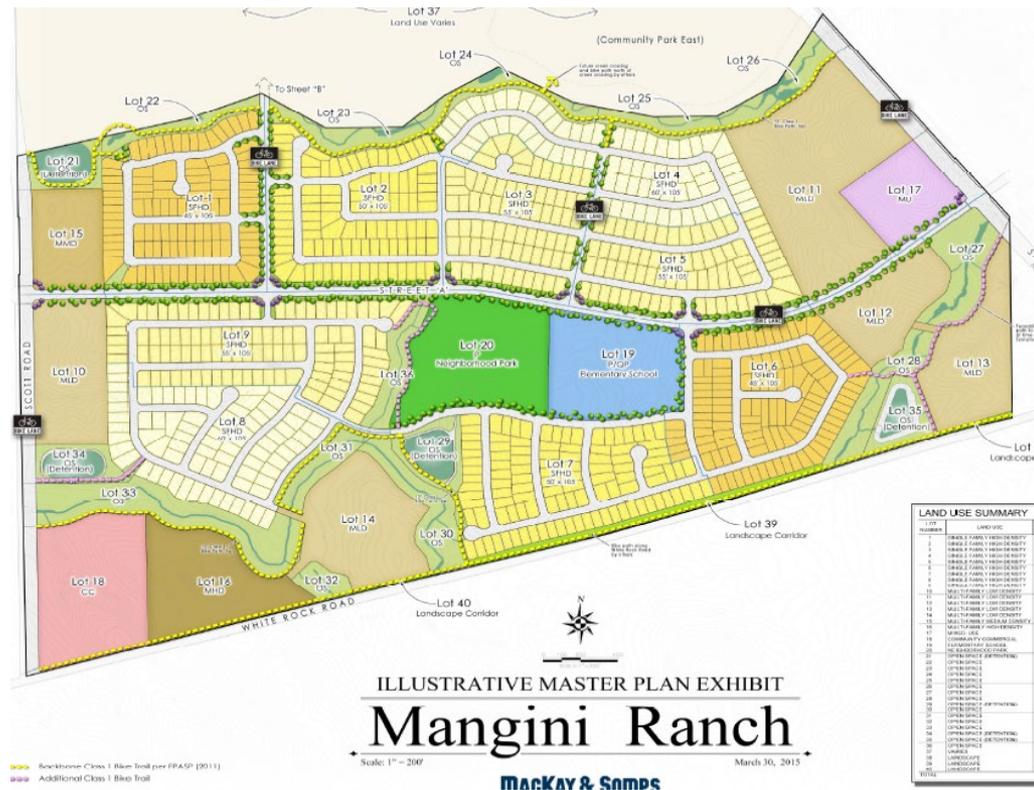
# Extended-Term CFD Financing

- Pay-as-you-go (PAYGO) funding.
- Extended term for tax levy or bond sales.



# Project-Specific CFDs

- Project-specific facilities and maintenance.
- Bond sale proceeds and PAYGO revenues.



# Conclusions

- Complex projects require layered financing structures.
- Cooperation between public agency (or agencies) and private property owners is critical.
- Creative approaches needed to align demand for facilities and timing of revenue sources.
- Identify ways to optimize use of existing financing tools.
- Maintain flexibility during implementation to adapt to changing circumstances.

# INFRASTRUCTURE FINANCING DISTRICTS

A NEW TOOL FOR  
TAX INCREMENT FINANCING

AARON LAUREL, CITY OF WEST SACRAMENTO



# IFD BACKGROUND

1990: IFD law enacted

1990-Present: Only three IFDs formed:  
*Carlsbad, SF, & West Sacramento*

February 2014: AB 471 (Atkins):  
*Removed prohibition on former RDA areas*

September 2014: SB 628 (Beall):  
*Enhanced IFDs authorized*

Present: AB 313 (Atkins):  
*EIFD cleanup bill*

# IFD BASICS

- Tax increment financing – only form available in CA
- *Not a tax* on property owners
- Allows cities to dedicate property tax growth & *issue bonds* for strategic projects



# CONTRAST WITH REDEVELOPMENT

- No blight findings required
- Boundary may be non-contiguous
- Funds may be expended outside district
- Other agencies must opt in (schools prohibited)
- Voter/property owner approval for bond issuance
- Narrower scope of eligible costs & powers

## SB 628 “ENHANCEMENTS”

- 45-year term (starts at bond issuance)
- City Council vote to form district
- 55 percent voter threshold for bonds
- Expanded list of eligible uses
- Alternative options for EIFD revenue (RPTTF & VLF)

# EIFD USES

- *Any capital project of community-wide significance:*
  - Highways, street, bridges, etc.
  - Parking & transit facilities
  - Sewage & water infrastructure
  - Flood control
  - Libraries & child care facilities
  - Parks and recreational facilities
  - IFD project planning & design work
  - *Brownfields*
  - *Military base reuse*
  - *Affordable housing*
  - *Transit priority projects/SCS projects*

# EIFD FORMATION

- City Council actions:
  - Adopt resolution of intent to create EIFD
  - Public hearing on Infrastructure Financing Plan:
    - *Plan includes fiscal impact analysis*
    - *Other participating agencies also must approve*
  - Adopt formation resolution
  - Set election to authorize bond issuance

# WEST SACRAMENTO CASE STUDY

- City incorporated in 1987
- Redevelopment covered 45% of city
- In its last 10 years, RDA contributed over \$60 million in tax increment to infrastructure projects near the riverfront
- RDA TI investment was doubled by infrastructure grants

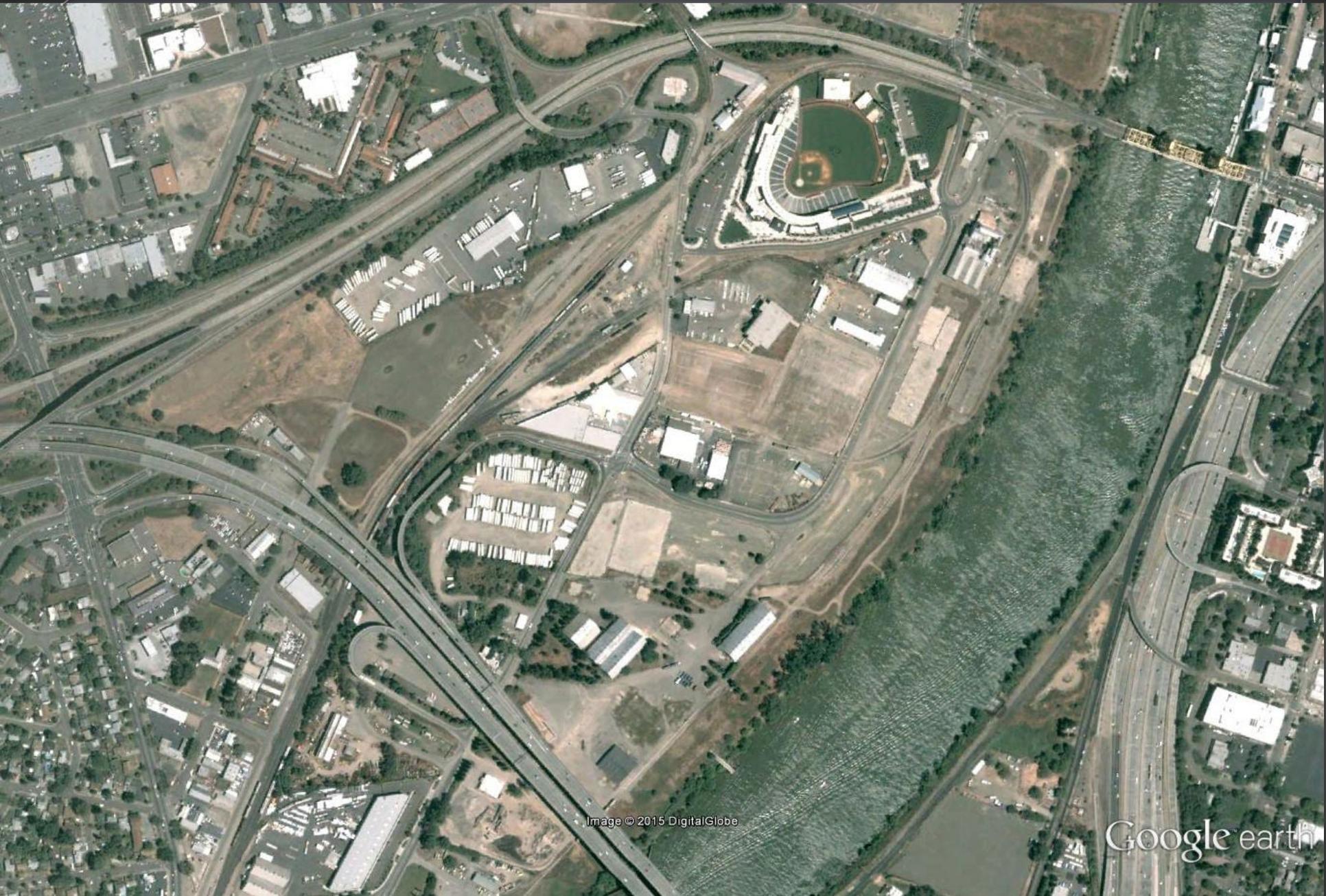
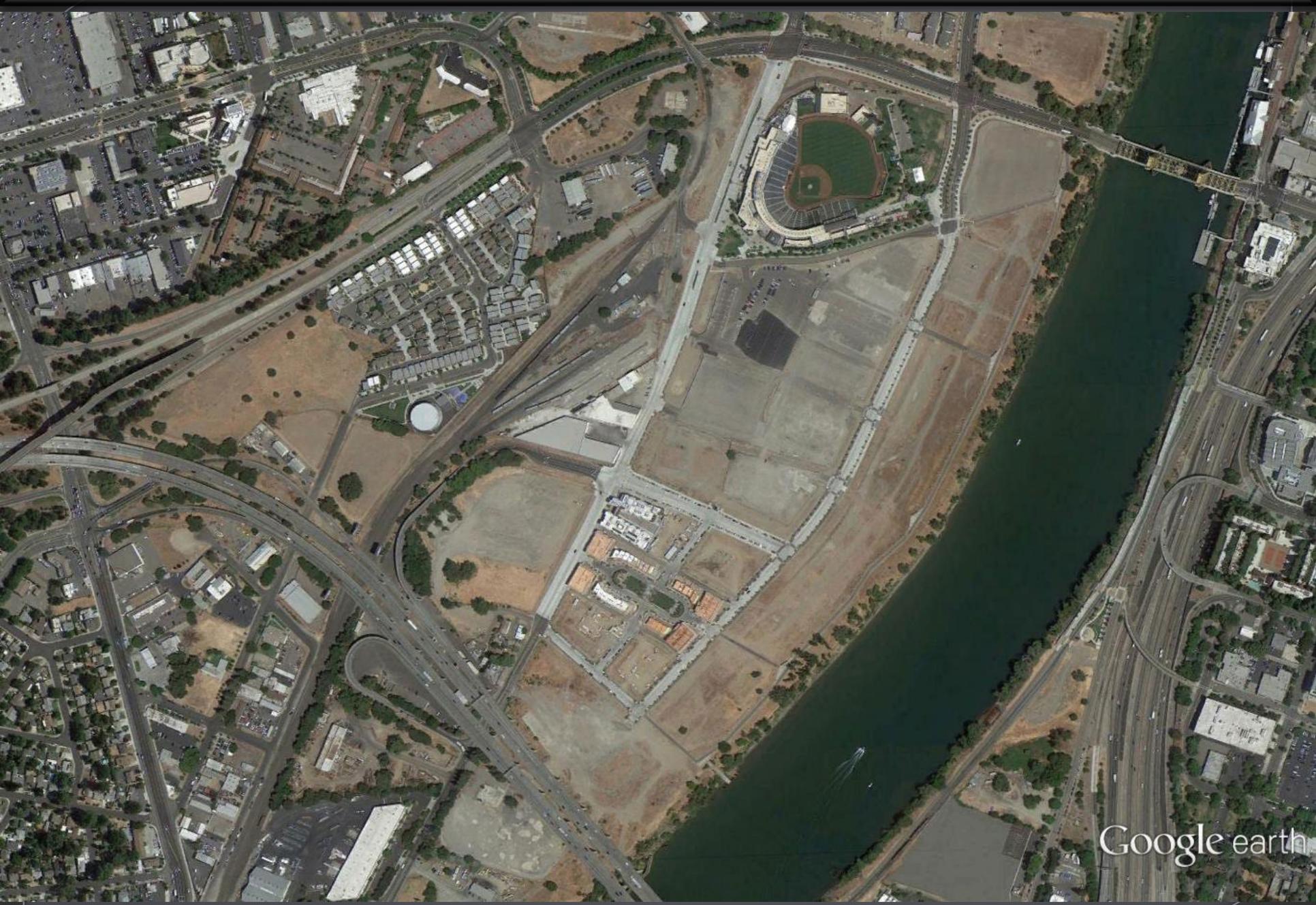


Image © 2015 DigitalGlobe

Google earth



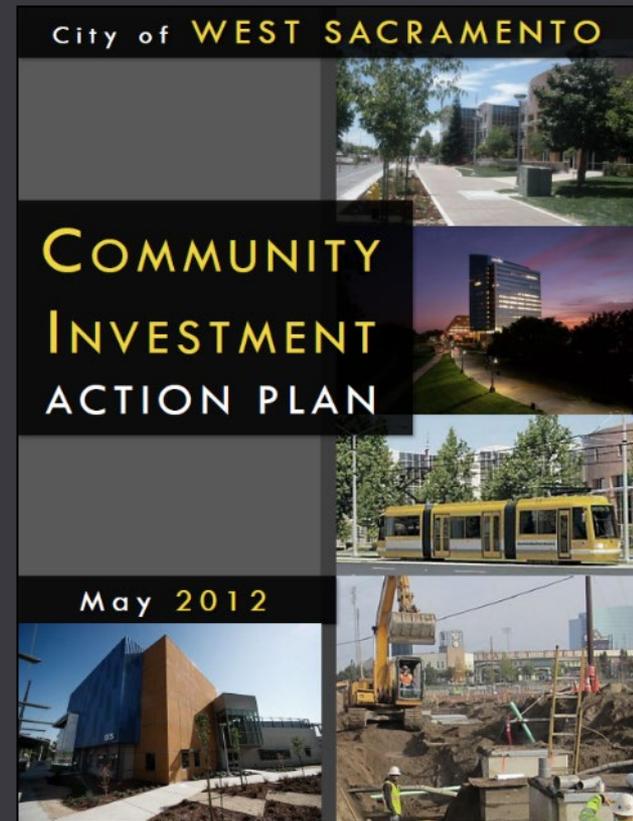
# BRIDGE DISTRICT PROJECT

- \$60 million project including rail removal, demolition, new roads, streetscape, utilities, & parks:
  - *\$15 million from property owner assessments*
  - *\$15 million from RDA*
  - *\$30 million from grants*



# RDA ELIMINATION

- Bridge District housing & other projects stalled
- City produced Community Investment Action Plan
- Plan goal:  
*Replicate RDA's level of infrastructure investment*
- Plan identified IFDs as long-term funding solution



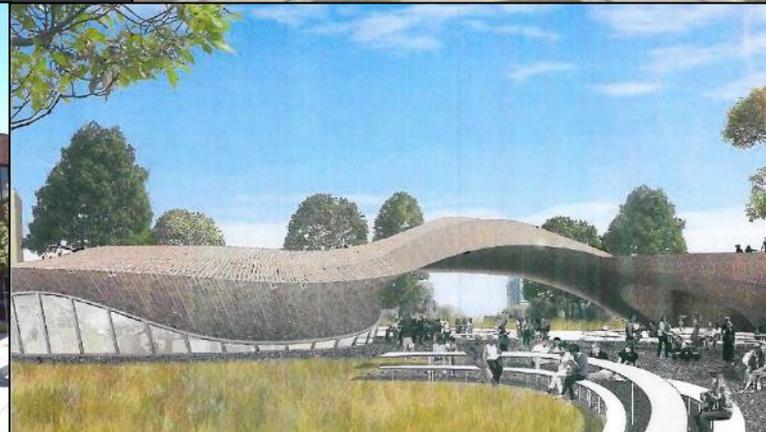
# BRIDGE DISTRICT IFD

- Unsuccessful litigation vs. State
- AB 471 enacted
- IFD formed in 8 months & \$100K in startup costs
- Property owner vote with simultaneous bond vote



# BRIDGE DISTRICT PROGRESS

- Over 700 units complete/under construction
- Riverfront events & entertainment venue under construction
- Streetcar construction planned for 2016
- Planning now underway for citywide EIFD



## EIFD<sub>s</sub> – THINGS TO CONSIDER

- *EIFD cleanup bill (AB 313):*

Creates greater separation of roles & governance between the EIFD & the city/county

- *Think strategically about boundaries:*

EIFDs can work on a project level or area-wide basis

- *Do the math:*

Run tax increment projections & compare 45-year EIFD tax increment with remaining tax increment of former RDA

## EIFD<sub>s</sub> – THINGS TO CONSIDER

- *City-County EIFDs can be a win-win:*

Unlike with RDAs, cities & counties share the “upside”

- *Don't forget long-term maintenance:*

Form a maintenance CFD or PBID as an EIFD companion or set aside a portion of district tax for long-term maintenance

- *Budget for administration:*

EIFDs are less complex than RDAs but will have admin costs, so set aside a small share of district tax for EIFD management

## EIFD<sub>s</sub> – THINGS TO CONSIDER

- *The return of redevelopment is very unlikely:*

Make the most of EIFDs & focus on legislative improvements

- *EIFDs encourage budgetary discipline:*

Annual general revenue budget allocations for infrastructure can be difficult for city councils to sustain

- *AB 2 (Alejo) may offer an EIFD alternative:*

AB 2 still requires voluntary participation from other agencies but no vote to issue bonds

# SESSION FOUR

**CDIAC**

**CALIFORNIA  
DEBT AND  
INVESTMENT  
ADVISORY  
COMMISSION**

## THE FUTURE OF DEVELOPMENT FINANCE: WHERE POLICY AND LEGISLATION BEGIN

**MODERATOR: ALAN GORDON**

DEPUTY STATE TREASURER  
LEGISLATION AND INFRASTRUCTURE FINANCING  
CALIFORNIA STATE TREASURER'S OFFICE

**STAN HOFFMAN**

PRESIDENT  
STANLEY R. HOFFMAN ASSOCIATES

**KATIE KOLITSOS**

SPECIAL ASSISTANT TO THE SPEAKER  
OFFICE OF CALIFORNIA STATE ASSEMBLY SPEAKER  
TONI ATKINS

**STEVE SHEA**

PRINCIPAL  
GONZALEZ, QUINTANA, HUNTER AND CRUZ LLC

# ***The Future of Development Finance: Where Policy and Legislation Begin***

Session 4

Katie Kolitsos

Special Assistant to the CA Assembly Speaker

November 17, 2015

# Legislative Overview

# Redevelopment Dissolution Clean-up

- SB 107 (Committee on Budget and Fiscal Review) -- Streamlines the current redevelopment agency dissolution process, enhances affordable housing by providing increased statewide funding and improving transparency, and expand the type of loans for which cities and counties can seek reimbursement.

# Enhanced Infrastructure Financing Districts (EIFD)

- SB 628 (Beall, 2014)- Allows local agencies to create enhanced infrastructure financing districts (EIFDs) to fund specified infrastructure projects and facilities.

# Enhanced Infrastructure Financing Districts (EIFD)

- AB 313 (Atkins, 2015) Adds provisions to Enhanced Infrastructure Financing District (EIFD) law to clarify the procedures that should be followed when replacing dwelling units that are removed or destroyed within a district and contains provisions to clarify that the EIFDs are public financing authorities separate and apart from the legislative bodies which created them.

# AB 2 (Alejo)

## Community Revitalization and Investment Authorities

- Authorizes local governments to create Community Revitalization and Investment Authorities (authorities) to use tax increment revenue to improve the infrastructure, assist businesses, and support affordable housing in disadvantaged communities.

*CDIAC and UCD*

Rethinking Development Finance: Financing  
Development in a Post-Redevelopment World

*November 17, 2015*

# The Future of Development Finance: Where Policy and Legislation Begin

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STEVE SHEA, PRINCIPAL

GONZALEZ, QUINTANA, HUNTER AND CRUZ  
LLC

# Not Easy to Recreate a \$5 Billion/yr Program

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- Limits on Post RDA Tax Increment Financing
  - Legal, Political Constraints
    - Prop 1A, Prop 10
- EIFDs, CRIAs – New Base Years, Voluntary Participation of Taxing Entities

# RDA Tax Increment vs. Post RDA “TI Light”

## *Do the Math*

---

<i>\$ in millions</i>				RDA light TI
Project area		Prop Tax	RDA TI	(20% AB 8)
AV	100	1	0.5	0
5% AV growth	105	1.05	0.525	0.005

# Public Policy Objectives of Development Finance

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## No Broad Policy Consensus Behind Old RDA Program

- Blight Remediation, Sales Tax Generation, Low Wage Jobs, Sprawl
- Ongoing Fight over Education Finance with State and Schools
- Post Prop 13 Fiscal Incentive Fueled Tremendous Growth

## Can a New Policy Coalition for Growth Emerge?

*“As our case is new, so we must think anew, and act anew”*

# GHG Reduction

## *“Sustainable Communities”*

---

AB 32, SB 375

Cap and Trade Expenditure Plan

60% (of \$2 billion) Continuously Appropriated

- 25% High Speed Rail
- 20% Affordable Housing/Sustainable Communities Grants
- 10% Transit/Inner City Rail
- 5% Low Carbon Transit

Remaining 40% Subject to Annual Appropriation Could Supplement Funds for Local Gov Development Projects

# Governor's Transportation Funding Plan

---

\$36 billion in new funds over next decade

\$11.3 billion Local Streets and Roads

- Cities of LA (\$650 m) Fresno (\$83 m)
- Counties of San Diego (\$377 m) Santa Clara (\$206 m)

\$4.3 billion Local Transit and Rail

\$2.5 billion State-Local Partnership Grants

Broad-based business/labor support

# Funding Gaps Remain

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Need Flexible Source of Local Funds

- Land Write-Downs
- Affordable Housing Project “Gap” Financing
- Backbone Infrastructure

Redevelopment (or “Infill” Development)  
Advances Statewide Environmental Goals

## SESSION FOUR

# THE FUTURE OF DEVELOPMENT FINANCE: WHERE POLICY AND LEGISLATION BEGIN

**STAN HOFFMAN**

PRESIDENT

STANLEY R. HOFFMAN ASSOCIATES

# CLOSE OF SEMINAR

**CDIAC**

**CALIFORNIA  
DEBT AND  
INVESTMENT  
ADVISORY  
COMMISSION**

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AND GIVE TO CDIAC STAFF.**

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TODAY!**