

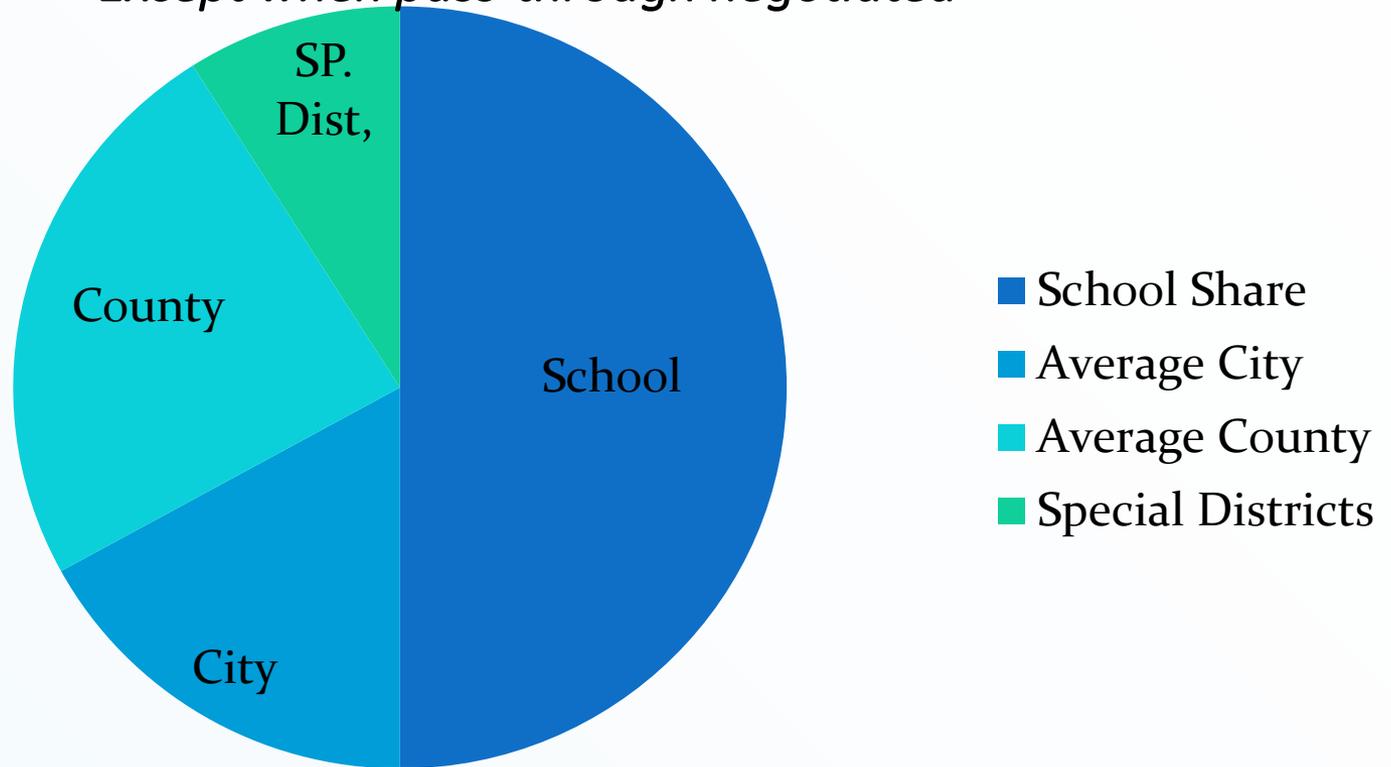
LEAGUE  
OF CALIFORNIA  
CITIES

Current Community  
Development Tools

March 14, 2018

# PRIOR RDA FUNDING

Growth From All Property Tax Shares Went to RDA  
*Except when pass-through negotiated*



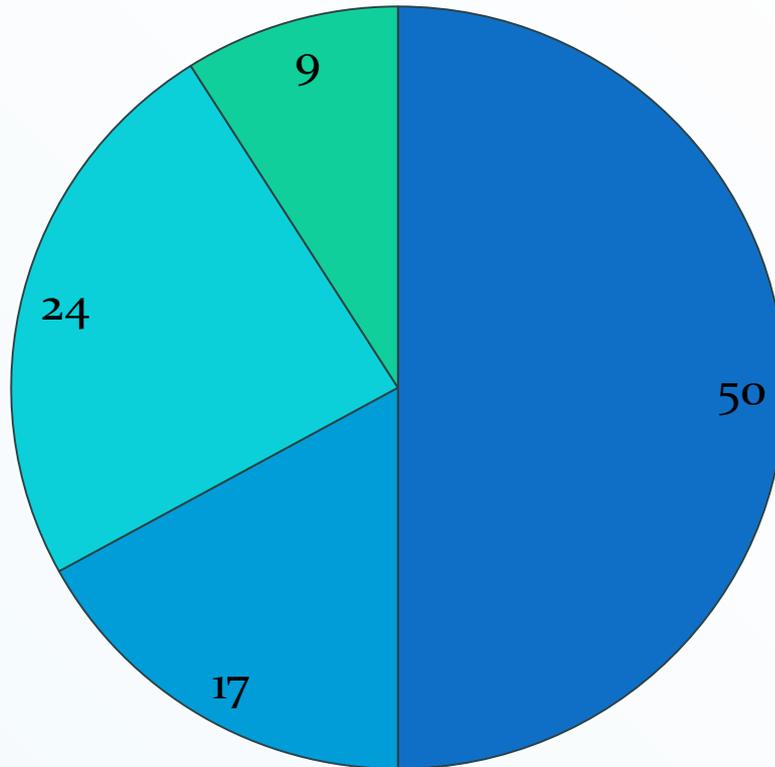
# NEW TAX INCREMENT TOOLS

- Enhanced Infrastructure Financing District (EIFD) .
- Community Revitalization and Investment Authorities (CRIA).
- Affordable Housing Authorities (AHA).
- Annexation Development Plans (ADP).
- Seaport Infrastructure Financing Districts.
- Military Base Infrastructure and Revitalization Financing Districts.

*Given the current exclusion of 50% of property tax growth from the school share, these tools are much less fiscally robust than former RDA's.*

# NEW TOOLS FUNDING

Growth Only Goes to Entity Based On Agreement, No School Share (Prop. 98 State Budget Concerns).



- Can't Touch School Share
- County Must Agree
- Special Districts Must Agree

# NEW TOOLS: ADDITIONAL FINANCING OPTIONS

Participating entities to an **EIFD, CRIA, or Affordable Housing Authority** can also agree to direct some or all:

- Property tax received in lieu of former VLF;
- Property tax residuals from former RDA; or
- Funding derived from various special assessments and fee revenue (landscaping and lighting dist., Mello-Roos, etc.

# ENHANCED INFRASTRUCTURE FINANCING DISTRICTS (EIFD)

- Can finance broad array of public infrastructure.
- Can also finance private:
  - Industrial structures;
  - Transit priority projects;
  - Projects implementing a sustainable communities strategy;
  - Affordable housing; and
  - Facilities constructed to house providers of consumer goods and services.
- Flexibility on boundaries. Can also do multi-jurisdictional.
- 55% vote if EIFD issues bonds.

# COMMUNITY REVITALIZATION INVESTMENT AUTHORITIES (CRIA)

- Modeled on Former RDA authority and powers; can provide assistance to business and includes eminent domain.
- 80% of census tracts must meet 3 of 4 deteriorated conditions. Parallels with state definition of “disadvantaged community.” Agency authorized to receive funds via cap and trade program.
- Setting up involves more community involvement. Voters have power to initially reject, or invalidate at 10-year intervals, via majority protest.
- 25% affordable housing set-aside required. Projects receive state priority for housing funds.

# AFFORDABLE HOUSING AUTHORITY (AB 1598 (MULLIN))

- Solely focused on production of affordable and moderate housing.
- Can be in designated portions of a jurisdiction if receiving just property tax, and other designated revenue, but “no sales tax.”
- Eligible to receive sales tax *if* entity is “coterminous” with boundaries of creating local agency “city”.
- Projects receive state priority for housing funds.

# AB 1568 (BLOOM) EIFD'S. SALES TAX.

Authorizes an EIFD to receive sales tax if:

- EIFD boundaries are “coterminous” with boundaries of establishing city or county;
- 20% of sales tax revenue must be dedicated to low income housing, in specified categories;
- Area financed must be infill site;
- EIFD cannot terminate unless affordable housing obligations are met.

# OTHER TAX INCREMENT TOOLS

**SB 614 (Wolk). Annexation Development Plans Chapter 784, Statutes of 2014.**

Authorizes tax-increment financing to be adopted by consenting local agencies (city and/or a county or special district) to improve or upgrade structures, roads, sewer or water facilities or other infrastructure as part of annexing a disadvantaged unincorporated community.

# OTHER TAX INCREMENT TOOLS

## ➤ **SB 68 (Hall). Chapter 83, Statutes of 2015.**

Establishes a financing tool for seaport infrastructure based upon a modified form of the Enhanced Infrastructure Finance District law.

## ➤ **AB 229 (Perez). Military Base Infrastructure and Revitalization Financing Districts. Chapter 775, Statutes of 2014.**

Creates infrastructure and revitalization financing districts (IRFD's), separate and apart from existing law that established infrastructure financing districts (IFD's), authorizes a military base reuse authority to form a district, and allow these districts to finance a broader range of projects and facilities.

# OTHER ECONOMIC DEVELOPMENT PROGRAMS

- California Competes—Tax credits allocated by GO Biz.
- Hiring Tax Credit – (partial replacement of EZ's) underused.
- Manufacturers Tax Credit.
- Film Tax Credits.
- CAEATFA (Sales Tax Credits allocated by Treasurer) can have negative local impacts.
- AB 806 (Dodd and Frazier) (2016) offers additional authority for local economic development.
- Federal domestic spending (Including CDBG) declining.

# CITY REALITIES POST-RDA

- Cities lost most experienced economic development staff.
- Remaining staff focused on salvaging whatever possible in the DOF-dissolution process.
- Lots of litigation and tension. Several comprehensive DOF clean-up bills changed rules.
- Haven't had time or capacity to fully consider new tools.
- Restoring trust in the reliability of new state tools.

# OTHER LOCAL REALITIES

- City budgets continue to face challenges.
- Staffing levels have not rebounded since recession.
- Sales tax eroding as a reliable revenue source (changing retail marketplace, internet commerce, and shift to a service economy).
- Property tax growth varies based upon local economic conditions.
- Pension liabilities are outstripping revenue growth, and further squeezing the ability to provide services.
- Several ballot measures under circulation will further restrict local revenue.

# CHALLENGES OF USING NEW TAX INCREMENT TOOLS

- For many cities (with 5%-10%-15% of property tax share) simply not enough financial lift to justify use of tools.
- City may not be financially able to divert other revenue to support longer term investments.
- Counties and special districts reluctant, and have other challenges and priorities, also may be less interested in revitalization work in urban core.

# OPPORTUNITY: COLLABORATION WITH STATE ON COMMON GOALS\_

- Affordable housing.
- Improving disadvantaged communities.
- Transit oriented development.
- Carbon reduction.
- Infrastructure .
- Economic development and job creation.
- Improving local schools as part of community revitalization efforts.

# RECOMMENDATIONS

- Build off and improve new community-based tools that exist (EIFD, CRIA, etc).
- Authorize plans and projects that advance state priorities to have access to the school share (ERAF reduction), if:
  - The plan/project is approved by state oversight body (strategic Growth Council, I Bank or?) as meeting identified state priorities.
  - The Legislature caps the total state's exposure re Prop 98 at a fixed annual amount.

QUESTIONS?



LEAGUE  
OF CALIFORNIA  
CITIES

Reassembling  
Redevelopment

March 14, 2018

## Also Had...

- 42 State-Approved Enterprise Zones.
- Tax incentives to employers.
- Encouraged jobs in areas of higher unemployment.

# What We Had...

385 Redevelopment Agencies, with \$6 billion annual investment in:

- Community revitalization, economic development, transit oriented development & infrastructure.
- Affordable housing (over \$1 billion annually). Through RDA all taxing entities contributed.
- Concept also was that such investments benefitted the larger community, and all taxing entities would realize increased revenue once project was completed.

# BENEFITS OF RDA'S

- Concentrated financial lift to revitalize area.
- Provided resources to solve problems and address community issues. *Bill Bogaard, former Mayor of Pasadena and League President.*
- Enabled combination of lots into larger parcels.
- Debt issued based upon property tax increment.
- Increased property values repaid debt.
- Once area is revitalized: “*all boats rise*”.

# FORMATION OF RDA'S

- Governed by 200 pages of statute.
- Had to establish (deteriorated conditions, infrastructure, etc.) would not be remedied “but for” RDA.
- Plan formed with input from a “project area committee”.
- Local affected taxing entities could negotiate property tax “pass through” agreements.