

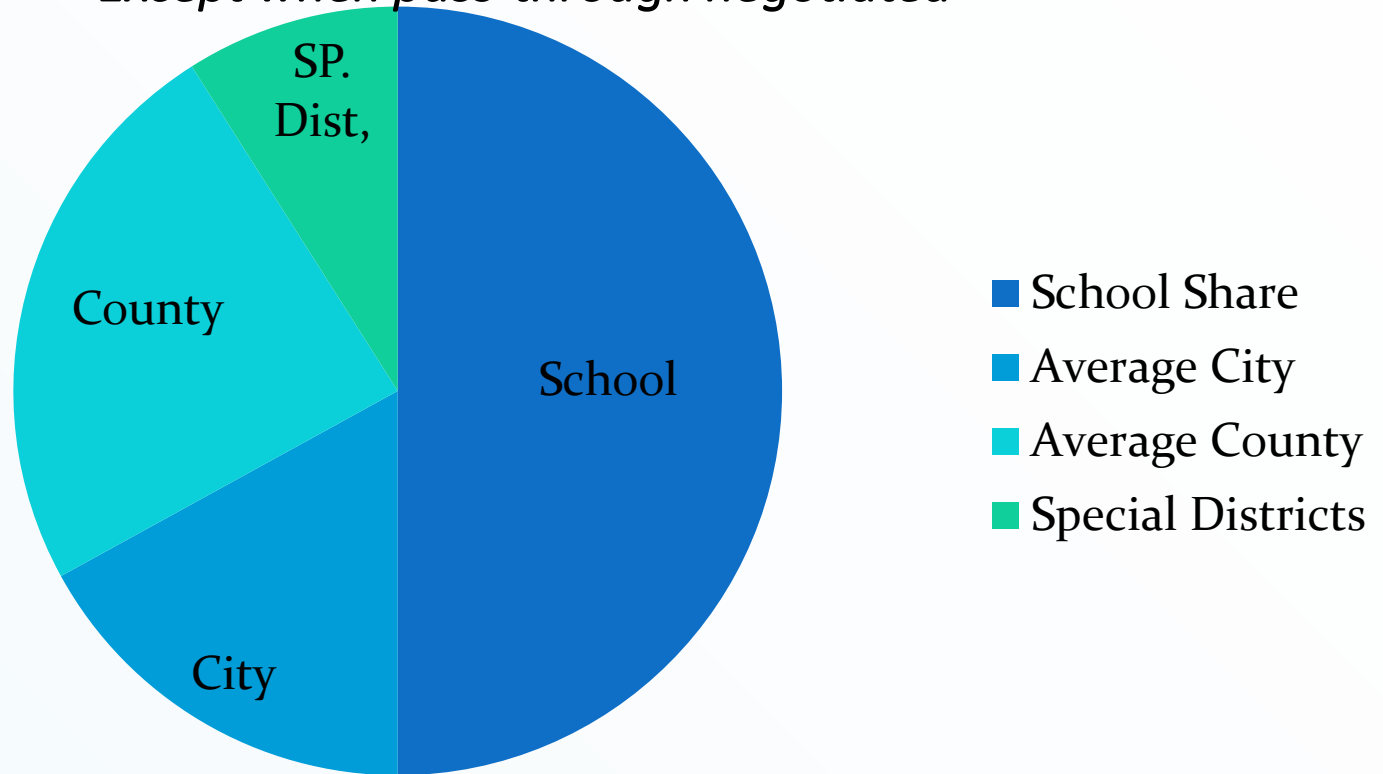
LEAGUE
OF CALIFORNIA
CITIES

Current Community
Development Tools

March 14, 2018

PRIOR RDA FUNDING

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



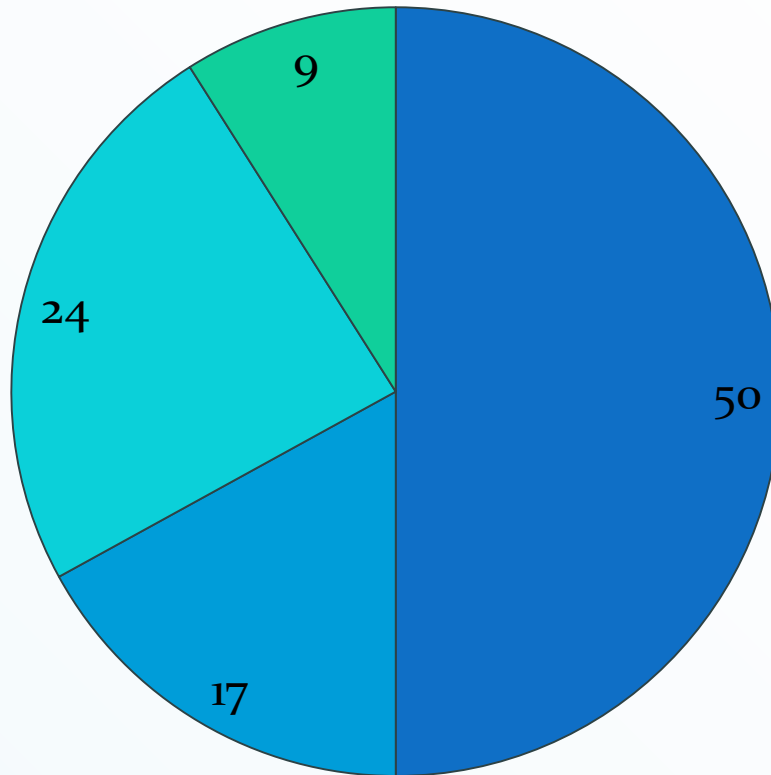
NEW TAX INCREMENT TOOLS

- 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.