



Presentation to the
East County Economic Development Council
Economic Development 2.0
New Tools & New Rules for Community Development

April 15, 2016

by:

Kosmont Companies

1230 Rosecrans Avenue, Suite 300, Manhattan Beach, CA 90266

(424) 456-3088

www.kosmont.com

Today's Agenda

- **Economic Development 2.0**
- **Overview of EIFD**
- **TIF Case Study: La Verne TOD EIFD**
- **Overview of CRIA**
- **Overview of PACE**



Economic Development 2.0

Today, Economic Development for Cities is about:



How do the Pieces Fit Together?

The Problems:

- Greenhouse Gas Emissions (GHGs)
- Drought
- Climate Change
- Insufficient regional transportation
- Aging Infrastructure
 - Water transportation infrastructure
 - Sewer infrastructure
 - Electric & utility plants
- New Infrastructure Needed
 - For shift to multifamily housing
 - Transit-Oriented Development in designated high-quality transit areas (HQTAs)



ED Approach By Cities – Legislative Direction



Economic Development

New Revenues and Jobs

Successful

Post-RDA Projects

Sustainable Policy

Compliance



SB 628 (Beall) & AB 313 (Atkins)

Enhanced Infrastructure Financing Districts

SB 614 (Wolk) & AB 229 (Perez)

Special Districts Annex Area and Former Military Bases for Infrastructure Financing & Revitalization

AB 229 (Perez)

Infrastructure and Revitalization Financing Districts on Former Military Bases

SB 743 (Steinberg)

CEQA: Environmental Quality Streamlining for TOD / Infill Dev.

AB 850 (Nazarian)

Financing Public Capital Facilities: Water Quality

AB 1471 (Proposition 1; Rendon)

Financing Water Quality, Supply & Infrastructure Improvement: Bond Issuance

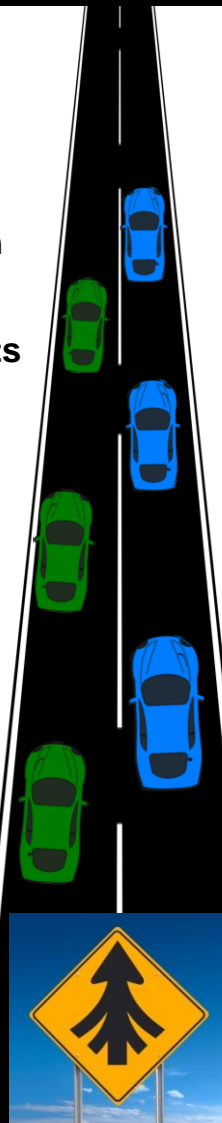
AB 2660 (Aguiar)

Infrastructure Financing Act: User Fees and P3s

AB 2 (Alejo)

Community Revitalization Authority

Local & Regional Infrastructure



AB 32 (Perez)

Cap and Trade: Community Development Investment Tax Credits

SB 375 (Steinberg)

GHG Emissions Reductions: Sustainable Communities Strategy

SB 1168 (Pavley)

Groundwater Sustainability Agency & Plan: High- and Medium-Priority Basins

AB 1739 (Dickinson)

Groundwater Management: Sustainability Plan & Extraction Reporting

SB 535 (De Leon)

Greenhouse Gas Reduction Fund: Benefits to Disadvantaged Communities

SB 350 (De Leon & Leno)

Accelerated emissions standards including required energy reduction for buildings

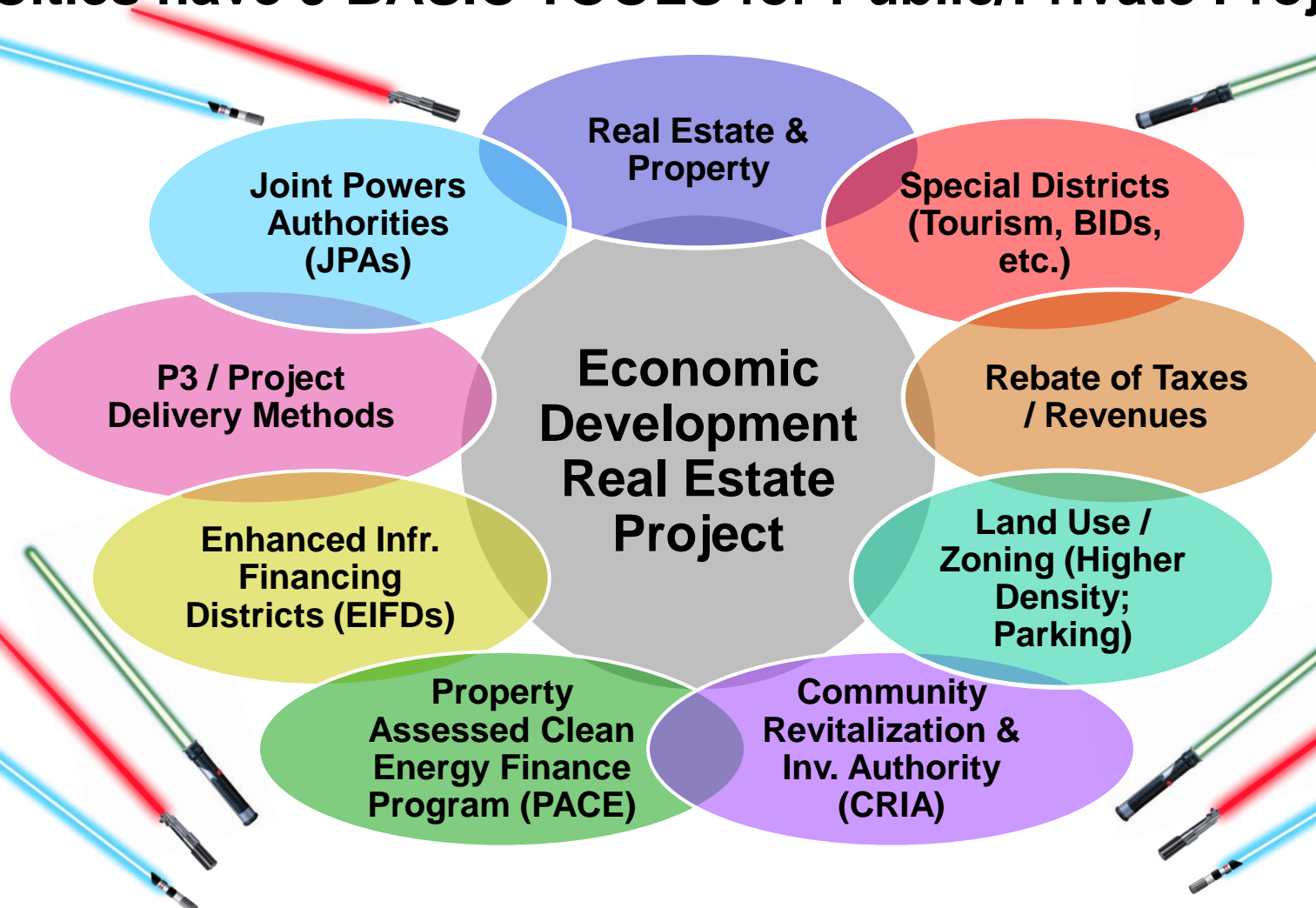
SB 32 (Pavley)

Statewide GHG emission limits accelerated

Regional Sustainability

Post-RDA Economic Development

Cities have 9 BASIC TOOLS for Public/Private Projects



These tools often work best when used together

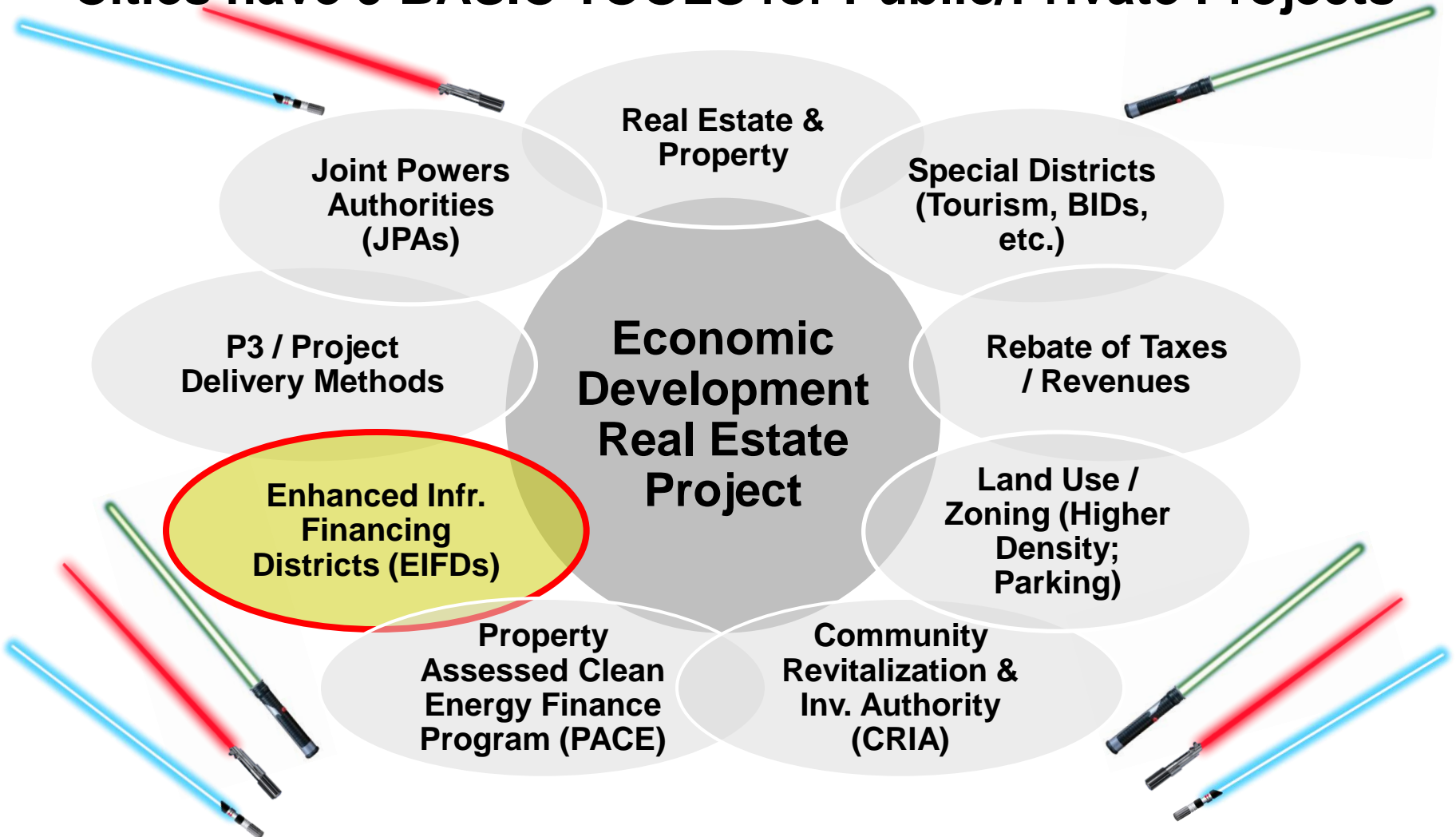
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Post-RDA Economic Development

Cities have 9 BASIC TOOLS for Public/Private Projects



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New Tool: Enhanced Infrastructure Financing Districts

- EIFDs can finance implementation of regional infrastructure via Public Financing Authority using property tax increment in tandem with a variety of funding sources for project incentives
 - Private sector project investment captured through Development Agreement or CFD (Community Facilities District) as start up \$\$
 - Cap-and-trade grant funds (GRGF) reward projects that reduce GHG emissions with billions in potential funds (~\$2B per year and growing)
 - Prop 1 contains over \$7.5 billion in water infrastructure project funds
 - SB 375 enables streamlined environmental review for projects that improve local and regional sustainability



Applications of EIFD

Generally, EIFD is useful in 2 circumstances:

1. As a replacement to redevelopment

- City is interested in revitalizing an area through Tax Increment Financing (TIF); can include City and County property tax share as well as revenues pledged by special districts

2. In development-driven scenarios

- Developer is interested in pursuing project; can use EIFD to help finance necessary infrastructure



Example of Case #1



Example of Case #2

What Must Be Done Prior to Start of EIFD Process?

- 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 asset transfer review



EIFD - Summary of Key Terms

1. Enhanced Infrastructure Financing District

- Governmental entity established by a city or county that carries out a plan within a defined area to construct, improve and rehabilitate infrastructure



2. Public Financing Authority (PFA)

- Legislative body that governs the EIFD
- Composed of participating governments and members of the public



3. Infrastructure Financing Plan

- Plan adopted by city or county. Describes public facilities & development to be financed by the EIFD
- Implemented by Public Financing Authority (PFA)



How is an EIFD Formed?

1. Adopt Resolution of Intention



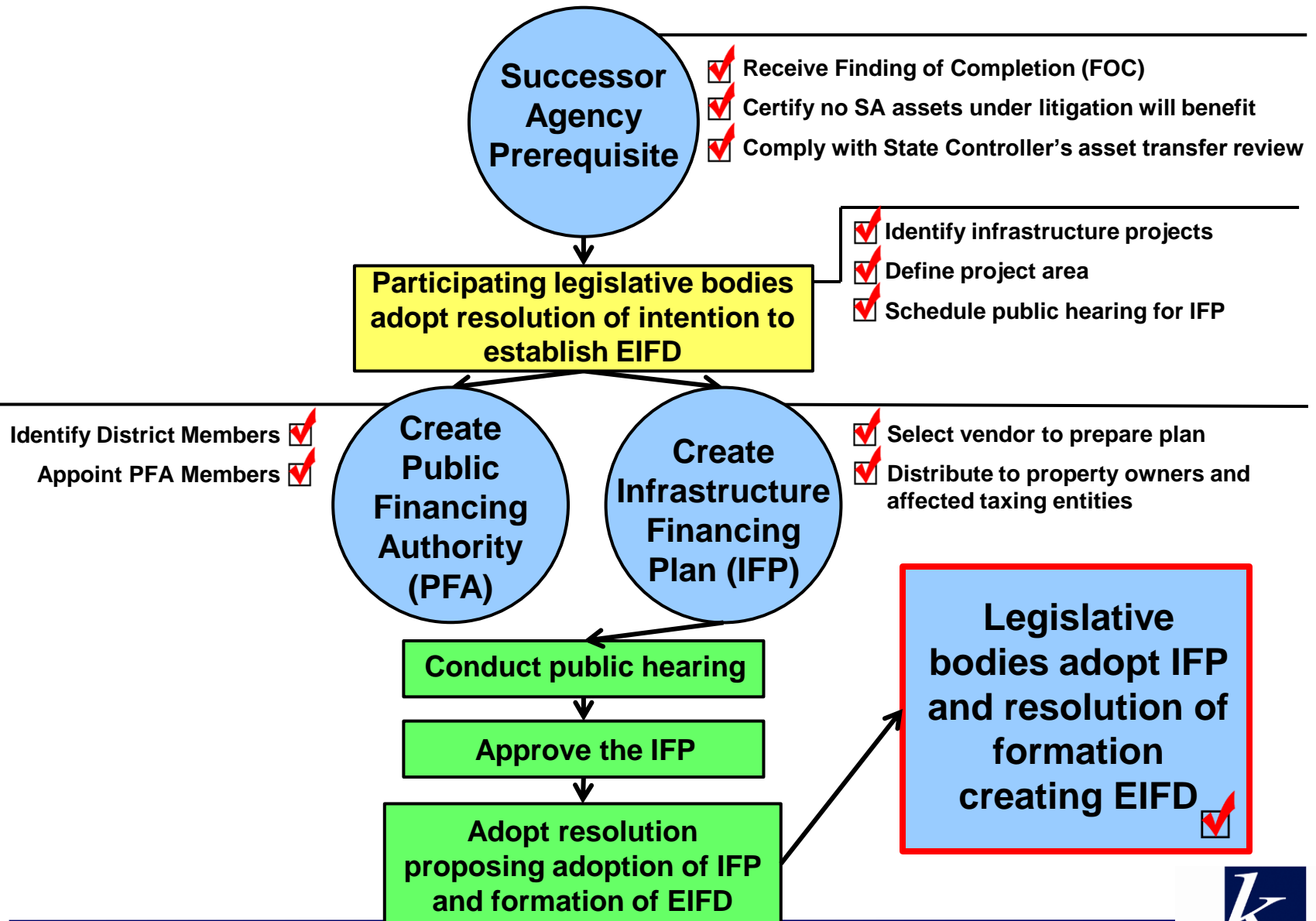
2. Prepare Infrastructure Financing Plan



3. Majority vote after public hearing (no public vote required for formation)



Summary of EIFD Formation Process



Types of Projects EIFDs Can Fund



Industrial Structures



Aff. Housing / Mixed Use



TOD Projects



Wastewater/Groundwater



Light / High Speed Rail



Civic Infrastructure



Parks & Open Space



Childcare Facilities



Brownfield Remediation

Governance of EIFD

- **EIFD means a legally constituted government entity separate and apart from the entities which established it. Governed by a public financing authority composed of elected tax entity officials and public**



Issuance of Bonds - Revenues

- 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



Screen Check: Primary EIFD Start-up Questions

Primary questions to consider:

1. Who is interested?

- Which counties/cities/special districts would measurably benefit from the EIFD and what is their share of property tax increment?
- How will it benefit the various parties?



2. What needs to get done?

- What are the infrastructure improvements and development projects that can be addressed?



3. Where is the EIFD project area?

- What are the boundaries/scale of this district?
- District does not need to be contiguous

Screen Check: Primary EIFD Start-up Questions

4. What are the funding sources?

- Are there private sector partners/funding sources? (development impact fees, start-up capital?)
- Special taxes (Mello-Roos for maintenance and/or capital projects)
- Other funding mechanisms or public funding/private investment mix

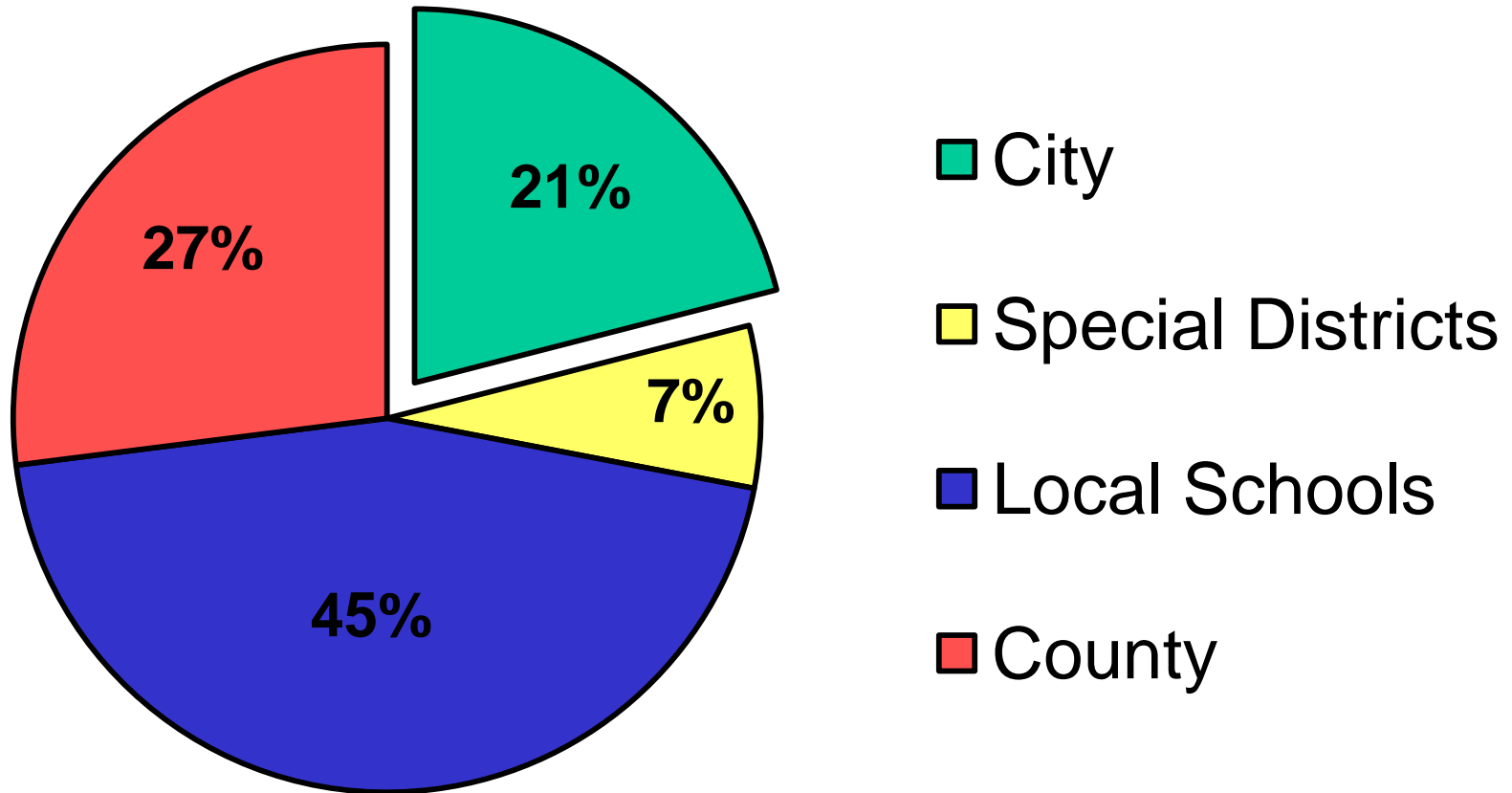
5. Who is located in the EIFD?

- Does the project serve multiple jurisdictions?
- How many property owners are located in this EIFD?
 - ✓ If 12 or less, voting is by property owners (1 vote per acre)
 - ✓ If greater than 12, then a constituent vote

6. What is the value of the project over time and what is cash flow in early years?

EIFD - Property Tax is primary source

Property Tax: How Much Goes to Your City?

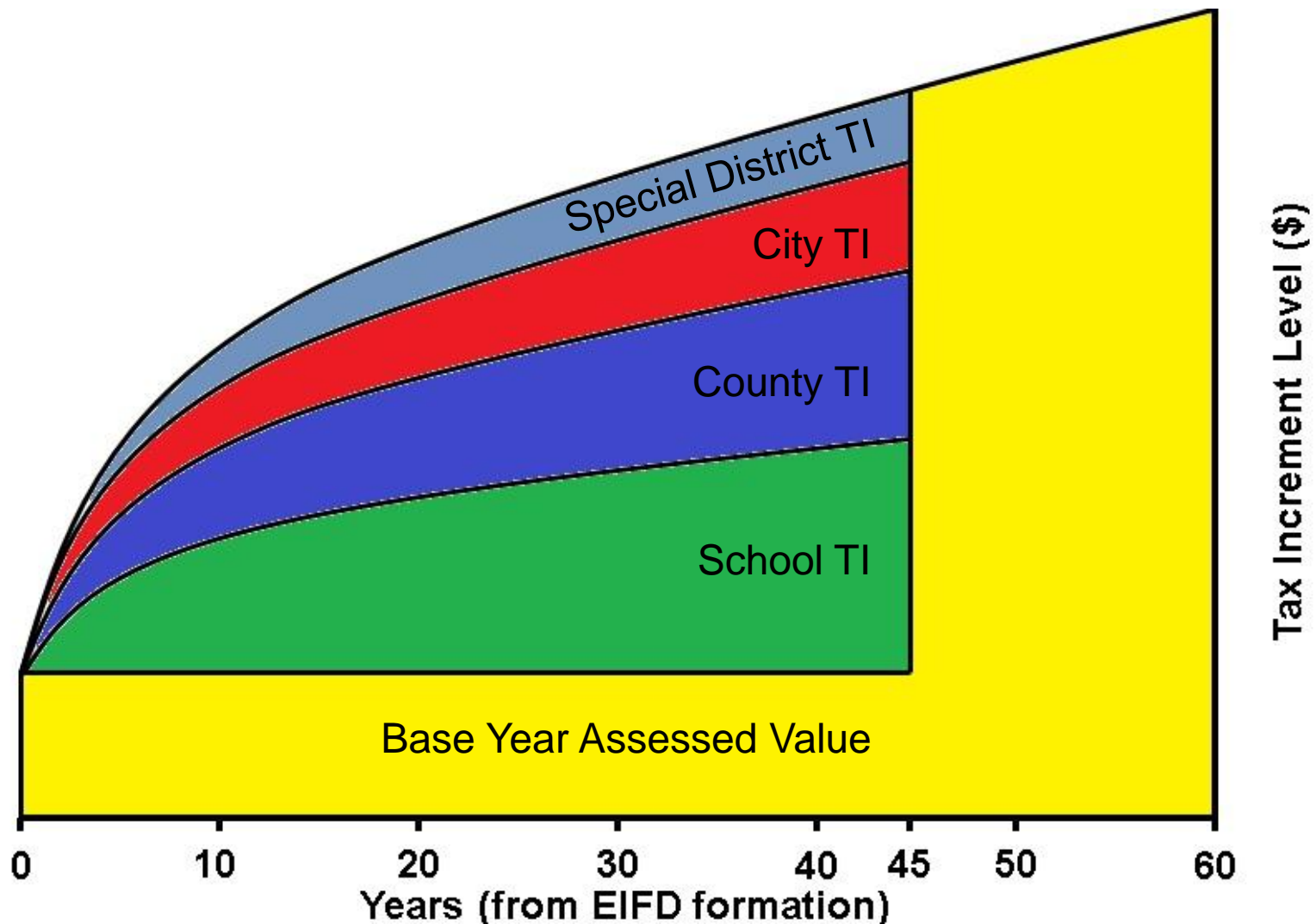


Source: Board of Equalization & California State Controller

EIFD Property Tax Includes VLF

- **Property tax increment from the participating agencies share of allocated property tax.**
 - EIFD property tax increment availability is City's share of property tax (per AB 8), that arises within boundaries of District, net of redevelopment increment allocated to successor agency for "enforceable obligations."
 - City AB 8 shares range from 3% to 28%.
- **Portion of Property Tax is from citywide VLF reduction backfill.**
 - A portion of property tax for EIFDs is based on amount of loss attributable to the 2004 VLF rate reduction, which grows annually by gross assessed value of city.
 - Any portion of citywide growth in the property tax from the VLF back fill may be contributed to the Infrastructure Financing Plan. Funds available for front end work of the EIFD.
- **EIFD level of property tax increment is determined by level of increment pledged by agencies participating in the EIFD and included in the Public Financing Authority (PFA)**

EIFD Tax Increment



EIFDs – Diverse Funding Approach

- Can use multiple funding sources with tax increment
 - *If Bond Issuance then 55% voter approval required*
- **Potential to apply State funding sources:**
 - Proposition 1 bond funds
 - Cap-and-trade proceeds
- **Federal & State Grants**
 - Greenhouse Gas Reduction Funds
 - Federal DOT/EPA/DOE funding programs
- **Other Funding Sources:**
 - Property tax revenue including RPTTF
 - Vehicle License Fee (VLF) prop. tax backfill increment
 - Development Agreement / Impact Fees
 - User fees
 - City / county / special district loans
 - Hotel TOT
 - Benefit assessments
 - Contribution from Special District
 - Levied by EIFD
 - Private investment



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Case Study: La Verne TOD EIFD

- **The Site**

- Located proximate to Univ. of La Verne, Fairplex properties & future Foothill Gold Line Station
- 388+ acres adjacent to La Verne's Old Town Specific Plan Area

- **The Project**

- Station area improvements, circulation infrastructure improvements next to Gold Line
- Development of housing, potential hotel, retail and event space
- Sustainable improvements to commercial and industrial structures, partnerships with Univ. of La Verne/Fairplex, Brackett Field

- **Status**

- EIFD under evaluation by City of La Verne as lead public agency
- Goals for La Verne EIFD
 - *Induce development around future TOD infrastructure*
 - *Access to Statewide sustainable funding sources such as Greenhouse Gas Reduction Fund (GGRF) & utilize commercial PACE to increase property values, increment for district & sustainability compliance*
 - *Induce private development via development agreements that compliment existing City plans and anticipate future demand from TOD*

Infrastructure Around the Gold Line Station



Parking Infrastructure



Rail Station
Improvements



Improvements for increased
Pedestrian Access to Rail Station

- **Parking:** The Old Town La Verne Specific Plan parking needs assessment identifies average need for approximately 1,225 parking spaces in Arrow Corridor on a Saturday in a typical month. Potential demand could peak at about 1,760 spaces per day during peak holiday season.
- Plan calls for four future parking structures at buildout, including a 600-space structure at the Gold Line Station. If built out, these parking structures could provide up to 2,015 spaces.
- **Gold Line Improvements (Sub-Area 1):** Improvements around the Gold Line extension may include platforms, bicycle racks for commuters and improved streetscape around the stop.
- **Pedestrian Access:** The TOD may need new bike lanes, pedestrian sidewalks, and a footbridge across Arrow Route to connect proposed Fairplex development to the Gold Line station.

La Verne Preliminary Potential EIFD Map



Potential Partners

Potential Core Public Agencies



Potential Public/Private Partnerships



Initial Infrastructure Cost Estimates

- Preliminary EIFD infrastructure cost estimates are as follows:**

City of La Verne Total Estimated Infrastructure Costs	
Subtotals	Estimated Cost
Subtotal Water Infrastructure	\$15.7 Million
Subtotal Sewer and Storm Drain	\$2.1 Million
Subtotal Amenity/Circulation Improvements*	\$6.1-\$8.1 Million
Total Infrastructure Cost Estimates	\$23.9-\$25.9 Million

***Example amenity and circulation improvements include:**

- Pedestrian Bridge
- Arrow Highway median improvements
- Connectivity improvements in Old Town
- Lighting improvements
- Landscape Improvements
- Other

Residential Development Projections

- City's residential development projections within the EIFD:

La Verne EIFD Residential Unit Development Projections*

	OTLVSP	Adj. SP Estimate	5 Year	10 Year	20 Year
First Street North	175	175	75	75	25
First Street South	150	150	50	50	50
Paper Pak Parcel North	325	0	0	0	0
Paper Pak Parcel South	325	325	0	0	325
Arrow Pub. Storage (Parcels 31,32)	300	300	0	150	150
Arrow Highway Fairplex North	900	150	150	0	0
White Avenue Parcels	NA	210	0	105	105
Puddingstone Drive-ULV Campus W	NA	170	0	70	100
Total Units	2175	1480	275	450	755

*Base activity year to be confirmed

Commercial Development Projections

- City's commercial development projections within EIFD:

La Verne EIFD Commercial ¹ Development Projections ²					
	OTLVSP	Adj. SP Estimate	5 Year	10 Year	20 Year
Hotel (Rooms)	300	150	150	0	0
Retail Gross SF					
First Street (All)	10,000	10,000	0	5,000	5,000
Arrow Highway (All)	318,000	100,000	15,000	10,000	75,000
Total Retail SF	328,000	110,000	15,000	15,000	80,000
Business Park (GSF)					
ULV Sub-Area 2 Parcels	N/A	600,000	0	300,000	300,000

¹Hotel, retail and other

²Base activity year to be confirmed

Initial Tax Increment Projections

Assumptions:

- Kosmont used initial 5, 10 and 20 year development projections and infrastructure needs to estimate tax increment revenues
- Baseline projections assume that La Verne will pursue EIFD formation alone (capturing ~24 cents of increment)

City of La Verne Preliminary Assessed Value Projections				
Development Type	Units / SF		Projected AV/Unit/SF	Projected Total Assessed Value
Hotel	150	Keys	\$ 100,000	\$15,000,000
Retail	110,000	SF	\$ 250	\$27,500,000
Business Park	600,000	SF	\$ 100	\$60,000,000
Apartments	750	Units	\$ 175,000	\$131,250,000
Condominiums	750	Units	\$ 300,000	\$225,000,000
Total Projected AV New Development				\$458,750,000

La Verne EIFD Preliminary Tax Increment Projections (45 years)	
City Tax Share Contribution	\$ 0.244
Total TI to EIFD	\$ 67,495,139
Supportable Bond Debt Service*	\$ 42,727,500
Reserve Fund	\$ 24,767,639
TI NPV at 6%	\$ 5,380,069

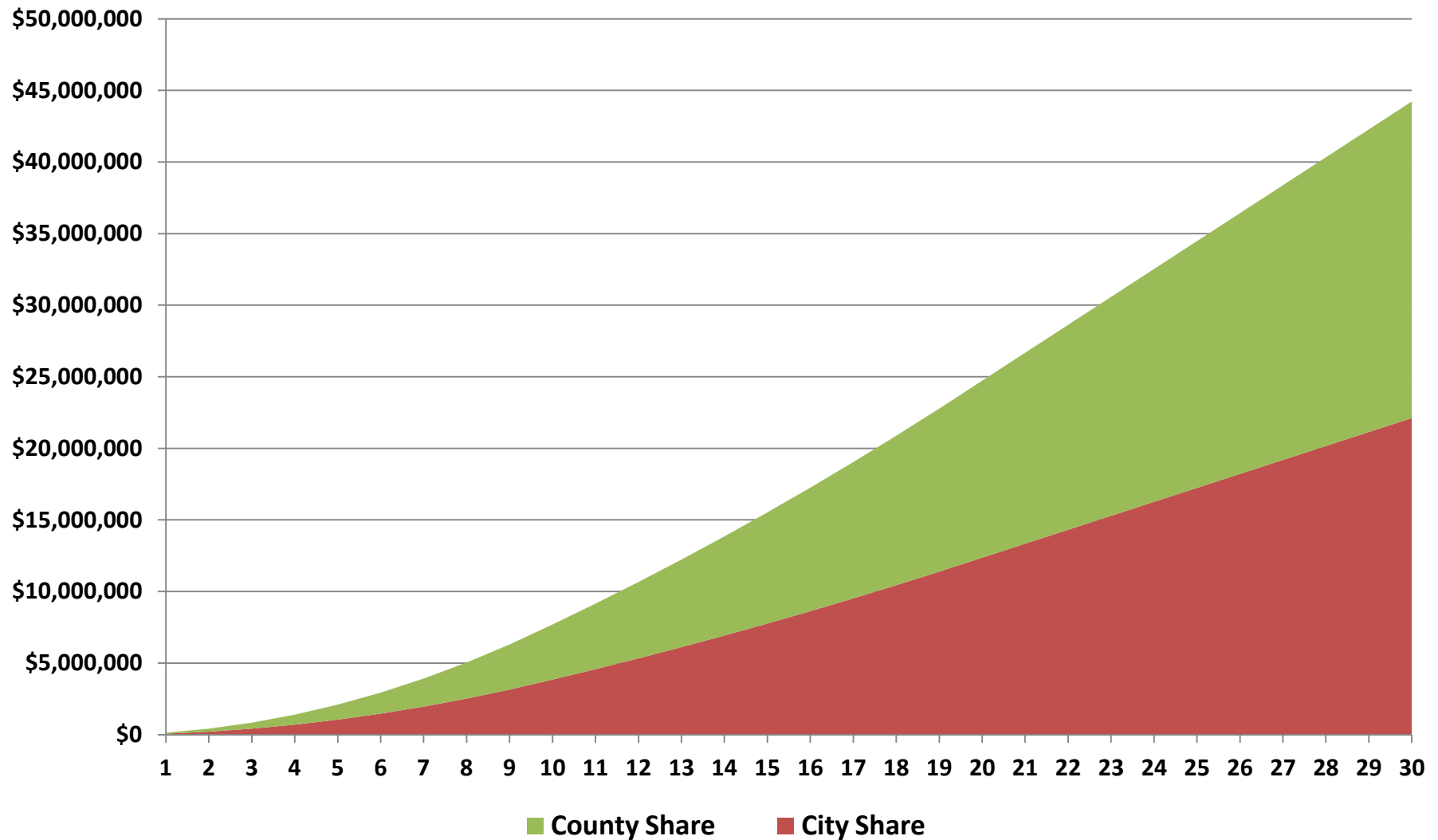
* Serial bond issuance possible.

Key Initial Findings:

- Project Area current assessed value ~\$63 million
- At year 10, EIFD will generate ~\$703,000 in annual TI revenue based on addition of 725 residential units & 300,000 sq.ft. comm.; 10 yr. projected AV of ~\$351M
- With estimated development projections, assessed value of new development could increase to ~\$458 million at projected buildout (year 20)

Cumulative Tax Increment by Year

(based on La Verne TI estimates)



Potential Funding Sources

Start-up Capital – an important component of EIFD formation

- At formation, EIFDs have zero revenues and tax increment is minimal
- La Verne may consider the following primary funding sources to provide initial capital for needed infrastructure in Project Area:
 1. *Grant funding from the Greenhouse Gas Reduction Fund (Cap and Trade monies)*
 2. *Initial developer loan or pledge to be paid back through credit and reimbursement agreement*
 3. *Development impact fee levies*
 4. *Other public agency allocations (e.g., Property tax in lieu of VLF, RPTTF)*

EIFD Implementation Questions

- 1. Timing for adoption** – What is the process and “deadline” for adoption in your county, and how does this relate to timing of proposed development? Not explicitly stated in the legislation whether “last equalized assessment roll” for increment baseline refers to Revenue and Taxation Code (Chapter 3 – Section 2052 – Aug 20th).
- 2. Former RDA Project Areas** – If EIFD is within or overlaps a former RDA area with ongoing debt, how does it affect EIFD’s ability to generate tax increment? Is residual revenue from RPTTF distribution tied back on a parcel-specific basis, or citywide?
- 3. CEQA** – Legislation says IFP must be distributed along with any required CEQA documentation for proposed public facilities and project development. Can the IFP leverage existing Specific Plan and/or General Plan documents (e.g. via addendum or supplement)?

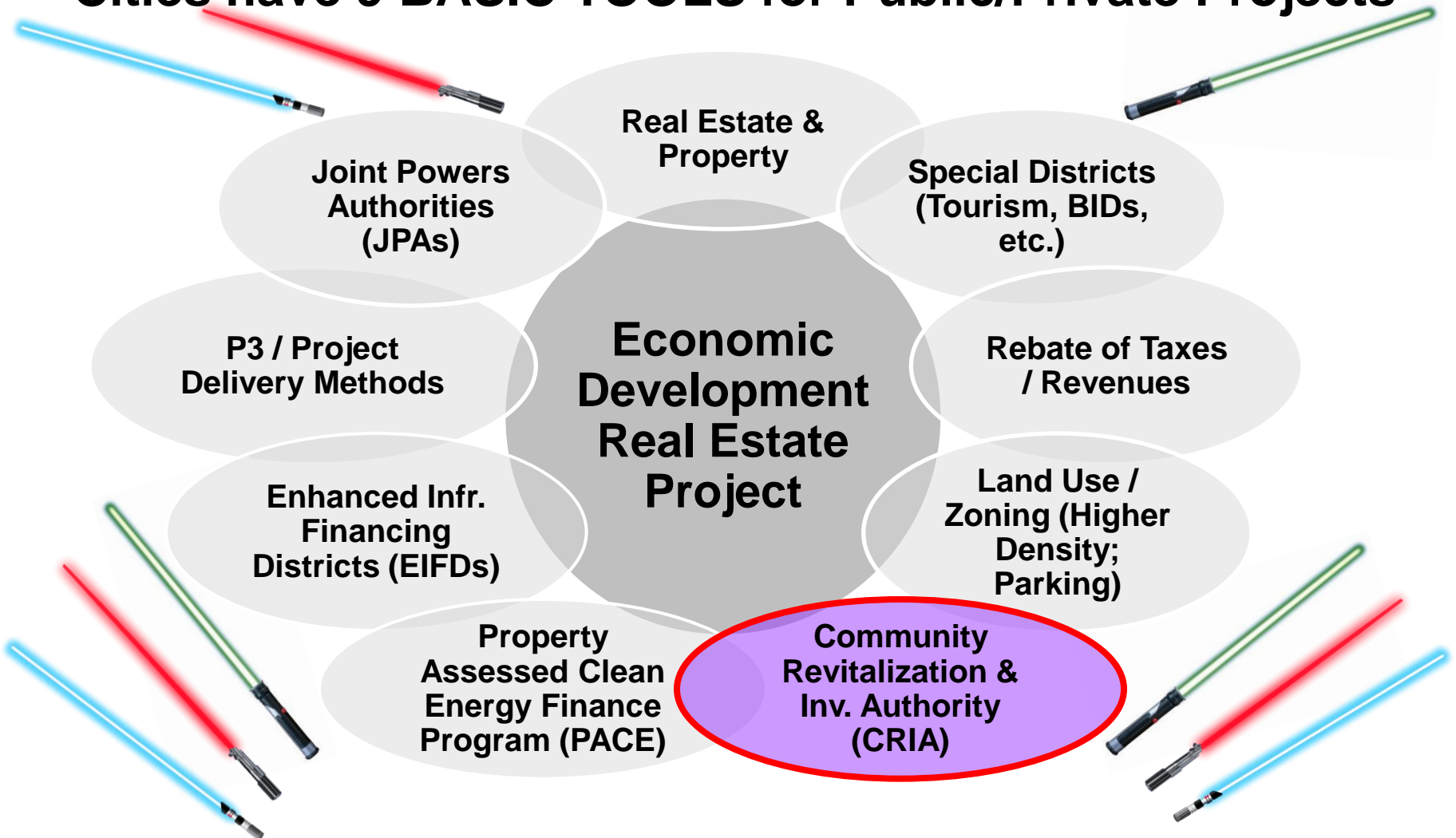
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Post-RDA Economic Development

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RDA Approved Legislation

- **AB 2 (Alejo) “Community Revitalization Investment Authority (CRIA)”**
 - Signed into Law by Governor Brown in September, 2015
 - Goes into effect on January 1, 2015
 - Restores redevelopment authorities to disadvantaged communities
 - Carries out provisions of Community Redevelopment Law
 - Authorizes establishment of Community Revitalization & Investment Authorities as long as project area meets 4 necessary conditions
 - Allows projects to be financed by bonds serviced by tax increment
 - 30 years to issue debt; 45 years to repay indebtedness
 - Can fund projects for economic revitalization in disadvantaged communities
 - Powers of eminent domain granted to CRIAs for first 12 years of district



AB 2 Eligibility

- Conditions of a Community Revitalization Area:

- 80% of land (calculated by census tracts) must have median household income less than 80% of statewide annual median income average
- Must exhibit at least three of the following conditions:
 1. Non-seasonal unemployment rate 3% higher than statewide median
 2. Crime rates are 5% higher than statewide median
 3. Deteriorated or inadequate infrastructure
 4. Deteriorated commercial or residential structures
- 25% affordable housing requirement



Who Can Form a CRIA?

- Two ways to form a CRIA:

- (1) a city, county, or city and county; administered by a five-member board; or
- (2) a city, county, or special district, or any combination of those local governments (joint powers agreement); administered by members of the public agencies that created the authority.
- In both cases, the body must include at least two members of the public who live or work in the area.
- A city, county, or city and county that has received a Finding of Completion from DOF and whose successor agency has complied with all orders of the Controller may form the CRIA



Types of Projects CRIAs Can Fund



Wastewater/Groundwater



Roads / Circulatory Inf.



Civic Infrastructure



Assist Businesses



Affordable Housing



Brownfield Remediation

Generally CRIAs can fund economic revitalization in disadvantaged communities

CRIA Cleanup Legislation – AB 2492

- AB 2492 (Alejo):

- **Clarifies data sources and methods for district formation**

- Can include “any combination” of census tracts/block groups
- Countywide or citywide annual median income can be used in addition to statewide annual median income
- Clarifies source of unemployment data / crime data

- **Expands available funding sources**

- Can leverage RPTTF in addition to property tax revenue
- Property taxes in lieu of former vehicle license fee funds
- Funds derived from assessments imposed by special districts

- **Under legislative review**



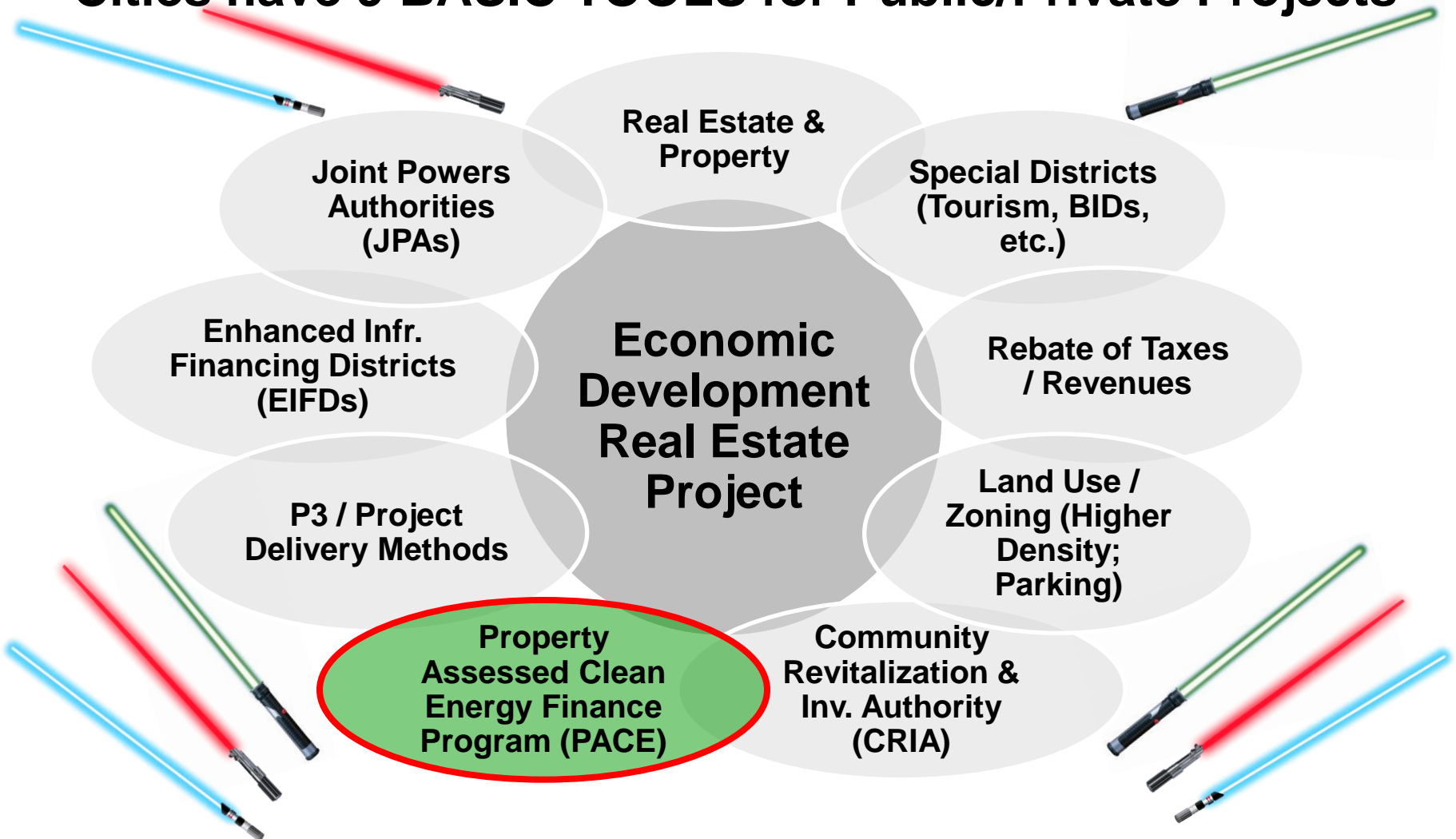
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New Tool: Commercial PACE as E.D. Tool

What is Commercial PACE?

- Cities can authorize Commercial and residential PACE by adopting local Resolution
- Property Assessed Clean Energy (PACE) enable property owners to finance energy improvements on commercial properties and repay as part of property tax bill.
- Commercial PACE loans permit lenders to benefit from security of a senior tax lien.
- Lenders participate in program by purchasing a privately placed bond secured by a contractual tax assessment with senior position.

Eligible Improvements

Energy efficiency

- HVAC/ chillers/ boilers
- Building automation
- Occupancy and daylight sensors

Water efficiency

- Low flow toilets and urinals
- Smart irrigation systems

Renewable energy

- Solar Panels/ solar hot water
- Fuel cells
- Seismic Retrofit



PACE Investor

Provides capital
for project



City/County

Authorizes Program



Property Owner

Completes project & repays
through property tax bill

Demand for Energy Efficiency Solutions

Why the Need for Commercial PACE?

- ☐ Greenhouse Gas Emissions (GHGS)
- ☐ Climate change; Drought
- ☐ Aging infrastructure and facilities
- ☐ Key Legislation Enforcing Clean Energy Standards
 - **AB 32: Mandatory 15% reduction in GHG emissions by 2020**
 - **SB 350: Sets new energy and climate policy in CA – ZNE Goals**
 - Double energy efficiency of existing buildings over 50k sq. ft.
 - 50% of power to come from renewable energy sources
- ☐ Job creation always a concern
- ☐ Lack of education and awareness
- ☐ Lack of accessible low cost financing

What are California's ZNE goals?



Types of Improvements PACE Can Fund



Controls & Sensors



Elevator Modernizations



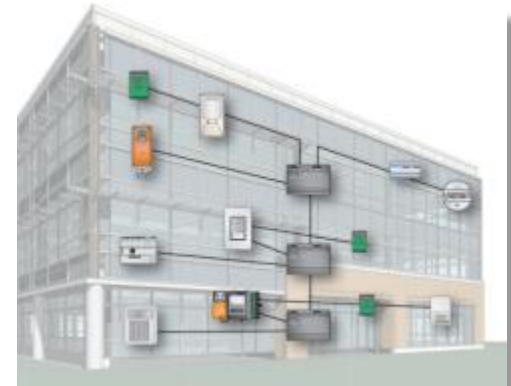
LED Lighting Retrofits



HVAC System Upgrades



Solar Projects



Building Automation

Commercial PACE: Community Benefits

Community Benefits

- ✓ **Support local businesses and create jobs**
- ✓ **Increase property and sales tax revenue**
- ✓ **Assists in business retention and expansion**
- ✓ **PACE provides long-term financing for property owners**
- ✓ **Helps improve appearance and energy usage of aging building stock**
- ✓ **PACE-financed retrofits increase a building's market value through:**
 - **Increased occupancy and rental rates**
 - **Reduced energy costs thus increasing NOI**



Regulatory Compliance

- ✓ **Attract workers and families**
- ✓ **Improve a community's "green" reputation**
- ✓ **No burden to general fund or borrowing capacity**
- ✓ **Energy-efficient buildings have reduced carbon footprints**
- ✓ **Helps City meet MANDATED clean energy requirements (SB 350 by 2030)**



Commercial PACE: Private Sector Benefits

Challenges Building Owners Face:

- Energy Compliance Requirements
- Lack of Capital
- Budgetary Limits
- Unable to qualify for Traditional Financing
- Increasing Maintenance & Utility Costs
- Aging Facilities



Solutions Provided by PACE

- No ADDITIONAL Debt Load
- Financing paid back TWICE a year through Property Tax
- PACE funds up to 100% of installed project costs
- Increases Building Value
- Improve Net Operating Income (NOI) by reducing O&M
- DOES NOT adversely affect organization's balance sheet
- PACE Assessment is a "pass-through" to tenants under most leases as Common Area Maintenance (CAM) charges
- No RECOURSE to ownership and Fully Transferrable

Promoting Commercial PACE

- **Step 1:** Adopt a Commercial PACE enabling resolution which allows all loan providers access to the Community
- **Step 2:** Develop Commercial PACE Outreach Program to jump start participation by engaging property owners and major tenants.

Why market Commercial PACE?

- Municipalities achieve sustainability, job creation, growth property & sales tax
- Shift communities toward regulatory compliance (SB 350)
- Provides startup program for Enhanced Infrastructure Financing Districts (EIFD) and Community Revitalization and Investment Authorities (CRIA)



Economic Development 2.0: Sustainability, Energy Efficiency & Infrastructure



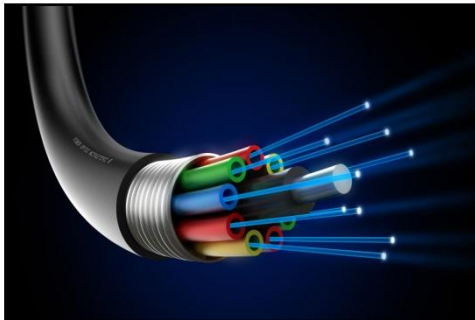
**Water and Sewer
Infrastructure**



Road Improvements



**Renewable Energy
Investments**



**Digital Connectivity
Infrastructure**



**Mixed-Use/ Transit-
Oriented Developments**



**Landscaping and
Maintenance**

Next Gen. Economic Development

- **New E.D. 2.0 is about sustainability, energy efficiency, and infrastructure**
- **Requires public agency cooperation and regional collaboration**
- **Uses tax increment**
- **Needs private sector investment**
- **Doesn't require a vote for formation but can for issuance of debt**
- **Can result in substantial funding for districts and yield private investment, taxes, jobs and infrastructure improvements**



Thank You

Any Questions?

