

# SOLUTIONS FOR PROMOTING ECONOMIC DEVELOPMENT IN A POST-REDEVELOPMENT WORLD



KEYSER MARSTON ASSOCIATES.

CENTER FOR CREATIVE LAND RECYCLING

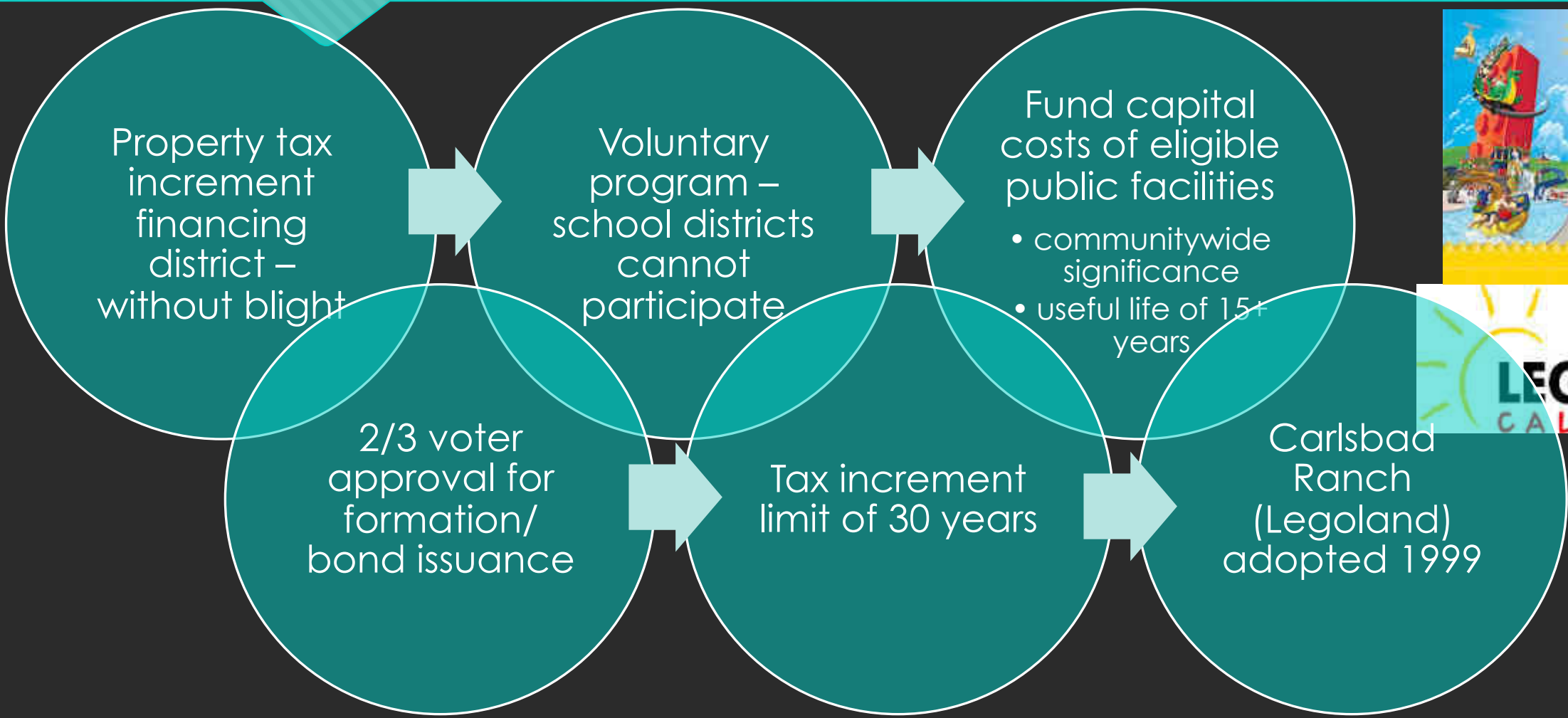
# EIFDs and CRIAs

Tax Increment Financing District Options



KEYSER MARSTON ASSOCIATES.

# Infrastructure Financing Districts (IFDs)



# Enhanced Infrastructure Financing Districts (EIFDs)

## SB 628 Gov. Code Sec. 53398.50

- Cities, counties, and special districts (not schools) can form a Public Financing Authority (PFA)
  - 3 members of the legislative body and 2 members of public
  - EIFD area may be non-contiguous
- Public capital facilities must be:
  - of communitywide significance
  - useful life of 15+ years
  - may be located outside boundary
- May combine other City revenues
- 55% voter approval of residents or property owners required for bond issuance
- Term: 45 years from approval of bond issuance

Infrastructure

Affordable Housing

Libraries

Parks

Brownfields

San Diego

Indio

Placer County

San Francisco

Sacramento

West Sacramento

# Community Revitalization and Investment Areas (CRIAs)

## AB2 in 2015

## Gov. Code Sec. 62000

- Formed by city and/or county
- Authority include 3 City Council members and 2 CRIA residents
- Disadvantaged communities with low MHI and 3 of the following:
  - high unemployment
  - high crime rate
  - deteriorated and inadequate infrastructure
  - deteriorated commercial/residential buildings
- Must be contiguous / expenditures limited to CRIA boundary
- Requires 25% of TI allocated to Low and Moderate Income Housing Fund
- Election required if 25% of property owners and residents file a protest
- Ongoing reporting and potential future repeals
- Authority has power of eminent domain
- Term: 45 years from formation

San Diego

Indio

Riverside

Watsonville



# Strengths and Weaknesses

## EIFDs

- ✗ Most cities receive small % of 1% property tax
- ✗ Need to exclude existing housing to avoid public vote
- ✗ Difficult to demonstrate neutral fiscal impact
- ✓ Potential to combine other revenues (e.g., VLF)
- ✓ Opportunities for Reimbursement Agreement with Master Developer

## CRiAs

- ✗ Eligibility criteria
- ✗ Complex formation, monitoring, and reporting
- ✗ Affordable housing mandate
- ✓ Eminent domain
- ✓ Direct developer assistance

# Value Capture and Density Bonus



KEYSER MARSTON ASSOCIATES.

# Value Capture

- When property owners/developers request significant changes to the entitlements for a property, the jurisdiction is essentially adding value to the land.
- To estimate the amount of value being added:



- Once the value added is estimated, the jurisdiction can request public benefits to be provided by the owner/developer in the amount up to the value added



# Examples of Estimating Cost of Public Benefits

Affordable  
Housing Units

- Affordability Gap between Market Rate Value and Affordable Value

Public  
Parking

- Incremental Construction Costs / Space

Open Space

- Appraised Land Value x Land Area Contributed

# What are Density Bonus Ordinances?

A zoning tool required by State Law

```
graph TD; A[A zoning tool required by State Law] --> B[Permits developers to build more housing units than normally allowed in exchange for provision of defined public benefit (i.e., affordable housing)]; B --> C[Provides affordable housing without direct public funding]; C --> D[The added density is intended to compensate the developer with additional revenue];
```

Permits developers to build more housing units than normally allowed in exchange for provision of defined public benefit (i.e., affordable housing)

Provides affordable housing without direct public funding

The added density is intended to compensate the developer with additional revenue

# Allowable Density Bonus Calculations

% Very-Low Income Units	% Density Bonus
5	20
6	22.5
7	25
8	27.5
9	30
10	32.5
11	35

% Low Income Units	% Density Bonus
10	20
11	21.5
12	23
13	24.5
14	26
15	27.5
16	29.0
17	30.5
18	32
19	33.5
20	35

% Moderate Income Units	% Density Bonus
10	20
11	21.5
12	23
13	24.5
14	26
15	27.5
...	...
38	33
39	34
40	35

## Notes:

- Only ownership projects can use Moderate Income units to fulfill Density Bonus requirements.
- Senior projects are entitled to a 20% density bonus without providing any affordable units.

# Allowable Waivers / Incentives under State Law

- Parking Requirement Reductions – By Right
  - Basic Reduction
  - New Law (AB 744)
- Incentives/Waivers (FAR increases, Open Space decrease, Maximum Height increases) – City/ County is required to grant the concession or incentive proposed by the developer unless it finds that it is not required in order to achieve the required affordable housing costs or rents, or would cause a public health or safety problem, cause an environmental problem, harm historical property or would be contrary to law.

Number of Allowable Concessions / Incentives	At Least:
One	5% of Units are at Very-Low Income; or 10% of Units are at Low Income
Two	10% of Units are at Very-Low Income; or 20% of Units are at Low Income
Three	15% of Units are at Very-Low Income; or 30% of Units are at Low Income

# Project-Specific Revenue Sharing



KEYSER MARSTON ASSOCIATES.

# Project-Specific Revenue Sharing

- Future tax revenue provided to assist a Developer receive a reasonable return on investment
- Utilize revenues available for any general government purpose
- Structured for a set term (5 – 30 years)
- Provides a share of the annual actual taxes or a formula to get the Developer to a certain return on investment
- Typically measured on “incremental” revenues



# Project-Specific Revenue Sources

- Transient Occupancy Tax – Hotel bed tax that goes to City, typically range from 8.0% to 15.0% of room revenues
- Sales Tax – Cities receive 1.0% of taxable sales as their share
- Property Tax – Cities and counties receive a share of the 1.0% general tax
- Utility Users Tax – Cable, electrical, gas and telephone taxes collected by cities
- Parking Tax – City tax on parking revenues
- Gross Receipts/Business License Tax – City tax on business operations (revenues)

# Project-Specific Revenue Example – City of LA Downtown Hotel Program

16

- City provides public revenue subsidy for high quality hotels
- Magnitude of subsidy determined via pro forma analysis:
  - Development costs
  - Operating projections
  - Supported private investment
  - Feasibility gap – Supported private investment less development costs

# Project-Specific Revenue Example – City of LA Downtown Hotel Program

- Feasibility gap is filled with incremental City revenues
  - Projected City revenue less existing City revenue
- City provides developer up to 50% of the annual public revenues, which are capped at 100% of the Project TOT
- Up to a 25-Year Term
- Revenues include: TOT, Sales Tax, Property Tax, Gross Receipts Tax, Utility Tax, Parking Tax, Hotel Visitor Spending Taxes, Employee Spending Taxes

# SOLUTIONS FOR PROMOTING ECONOMIC DEVELOPMENT IN A POST-REDEVELOPMENT WORLD

FOR FURTHER INFORMATION:

Paul C. Marra | Managing Principal | [pmarra@keysermarston.com](mailto:pmarra@keysermarston.com)

Julie L. Romey | Senior Principal | [jromey@keysermarston.com](mailto:jromey@keysermarston.com)

Kevin Engstrom | Senior Principal | [kengstrom@keysermarston.com](mailto:kengstrom@keysermarston.com)



KEYSER MARSTON ASSOCIATES.

CENTER FOR CREATIVE LAND RECYCLING