SOLUTIONS FOR PROMOTING ECONOMIC DEVELOPMENT IN A POST-REDEVELOPMENT WORLD

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EIFDs and CRIAs

Tax Increment Financing District Options

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Infrastructure Financing Districts (IFDs)

Property tax increment financing district – without blight

Voluntary program – school districts cannot participate

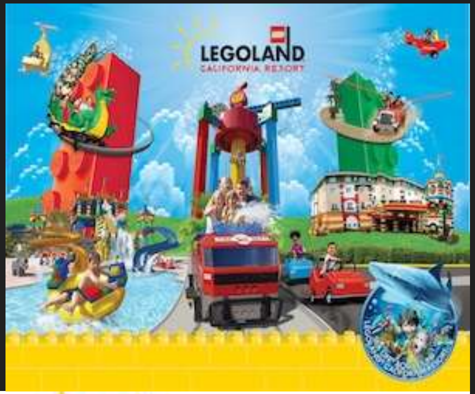
Fund capital costs of eligible public facilities

- communitywide significance
- useful life of 15+ years

2/3 voter approval for formation/bond issuance

Tax increment limit of 30 years

Carlsbad Ranch (Legoland) adopted 1999



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
  - deteriorated and inadequate infrastructure
  - high crime rate
  - 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

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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:

Land Value with Proposed Entitlements − Land Value with Existing Entitlements = Value Added / Potential for Public Benefits

- 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

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

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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

- 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

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