



# **Economic Development Toolbox for a Post-Redevelopment World**

**David Bergman, AICP  
Principal  
Metropolitan Research and Economics  
David.Bergman@mrpluse.com**



# **Introduction**

# **Metropolitan Research and Economics**

A Los Angeles based economic development consulting firm with specialized expertise in:

- Land Use Economics
- Real Estate Feasibility
- Community Development Planning
- Economic and Fiscal Impact Analysis

# Introduction

- Changes in California Economic Development Landscape
- Enhanced Infrastructure Finance Districts
- Strategic Growth Council



# **Post Redevelopment**

# Redevelopment

- From 1949 to 2012 Redevelopment was the primary tool for public private partnerships and economic development investments in California.
  - Redevelopment funded public improvements by “ear marking” growth in property tax revenues within a district
  - The generic term is “tax increment financing” or TIF. In use in some form in about 45 other states

# Redevelopment

- Redevelopment was a very powerful and effective tool
  - Attached growth in tax increment for all jurisdictions, schools, county etc. and placed revenues in the service of municipal priorities.
  - The logic was to move the project area from a lower state of capital investment to a higher one. As a result it necessarily favored large scale investments

# Redevelopment

- Because it was so powerful, it was also very contentious.
  - Various attempts at “reform” over the years
  - 20% affordable housing requirement
  - Time limits and cap on investment
- As successful projects moved forward, counties, schools and others did not see direct fiscal benefits.



# Redevelopment

- The end of redevelopment removed the main tool for incentivizing private investment in low growth and low value areas of the State.
- The end of redevelopment also removed one of the most important tools for affordable housing
- An evolving political response is developing in Sacramento to address these losses:
  1. Enhanced Infrastructure Financing Districts (EFID)
  2. Strategic Growth Council Funding (Cap and Trade)



# **Enhanced Infrastructure Finance Districts**

# EFID

- Recognition that some kind of local financing tool that could “fill the gap” left by redevelopment.
- EFID authorized in January 2015
- Two precedent programs
  - Infrastructure financing districts (bonds backed by municipal portion of tax increment)
  - Community Facilities Districts (Mello-Roos)

# EFID

- A replacement for Redevelopment?
  - No. Key differences:
    - Process initiated only by city/county although other tax entities may participate
    - Schools held harmless
    - EIFD does not have eminent domain powers
  - In short a much less powerful instrument with a more limited funding base.

# EFID

- Authorized to fund the construction, expansion, improvement, seismic retrofit of any real or tangible public improvement with a useful life of 15 years or greater.
- Formation process patterned after Mello-Roos
- Tax Increment portion from the participating entities only.

# Formation

- Process initiated only by city/county although other tax entities may participate
- Adopts a resolution of intention which defines a district and identifies allowable projects
- Requires an EIFD Plan
  - Specifies what type of facilities are funded, tax increment contributions and other revenue sources
  - Defines when the district will cease to exist

# Formation

- Once the EIFD plan is completed and circulated, it must be approved by the affected taxing entities
- School districts may not participate
- Resolution of formation is adopted after the hearing
- Formation does not require vote of qualified electors

# Formation

- In order to issue bonds, vote is required. Voter approval rate is 55%
- As with Mello-Roos circumstances dictate whether vote is by registered voters or landowners
- Tax increment allocated to EIFD supports debt service
- Can commit other revenues such as sales tax UUT or BLT



# TRA Example

Property Tax Forecast		
Total Assessed Valuation	\$100,000,000	
Less Homeowners exemption	(700,000)	
Land Cost	20,000,000	
New tax increment	\$119,300,000	
Fund	Rate	Annual Revenues
<b>City of Anaheim</b>	<b>0.0019</b>	<b>226,670</b>
Orange County	0.0013	155,090
Special Districts	0.0009	107,370
Schools	0.0059	703,870
Bonded Indebtedness	0.0008	89,845
Total	1.075%	\$1,282,845

- Under RDA, \$1.2 Million per year in bonding capacity, less 20% for affordable housing
- Under EFID \$226,000 per year (no housing set aside)
- This is about \$2 million in value for EIFD vs. \$12 million for RDA

# EFID

- Where will it “work”
  - Very large and regional projects
  - Where City and County will jointly participate
  - Where there is strong political consensus
- Where it will struggle
  - Support for specific projects and small scale districts
  - Where other supporting tools such as CFD’s are not in place
  - When there is a lack of strong political support

# EFID

- Possible outcomes
  - Areas seeing dis-investment will face difficulties funding infrastructure
  - CFD approaches will become more common in high growth and high value areas
  - Increasing dependence on Sacramento
    - Special purpose legislation such as was used for Levi's Stadium in Santa Clara



# **Strategic Growth Council**

# Strategic Growth Council

- Loss of RDA funding led to loss of the 20% affordable housing set aside
- This led to major deficits in funding new affordable projects and removed one of the most important funding sources
- 2014 state budget appropriated \$130 million from the Greenhouse Gas Reduction Fund (GGRF) to develop and implement, "the Affordable Housing and Sustainable Communities Program (AHSC). Moving forward 20% of cap and trade funds are to be allocated
- The AHSC, administered by the Strategic Growth Council, aims "to reduce greenhouse gas emissions through projects that implement land use, housing, transportation, and agricultural land preservation practices to support infill and compact development..."

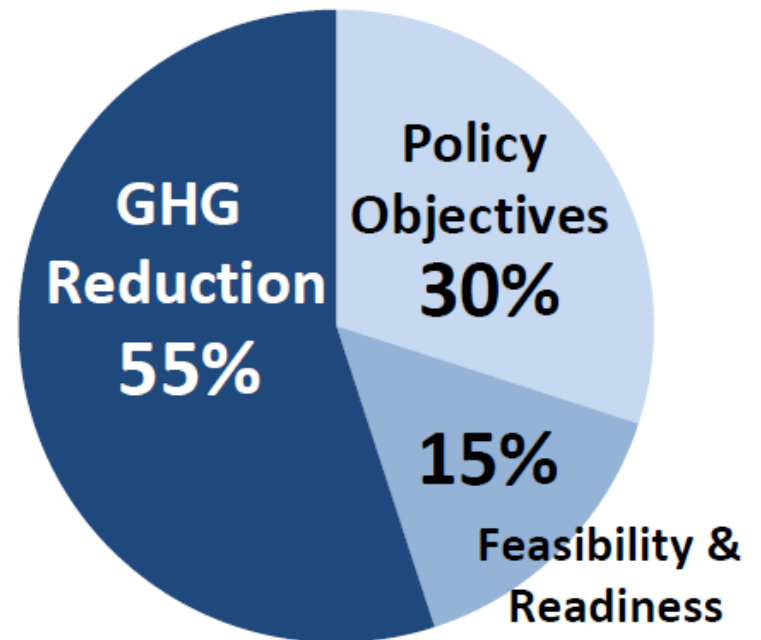
# Strategic Growth Council

- Housing and Sustainable Communities Program (AHSC)
- Grant funded applications reviewed by SGC
- Must support transit and infill and show reductions in GHG
  - Reasonable argument that the loss of RDA would lead to increasing GHG by disadvantaging central cities
- Fund projects that result in the reduction of greenhouse gas emissions and vehicle miles travelled (VMT) and increase accessibility of housing, employment centers and key destinations through low - carbon transportation options such as walking , biking and transit.

# Strategic Growth Council

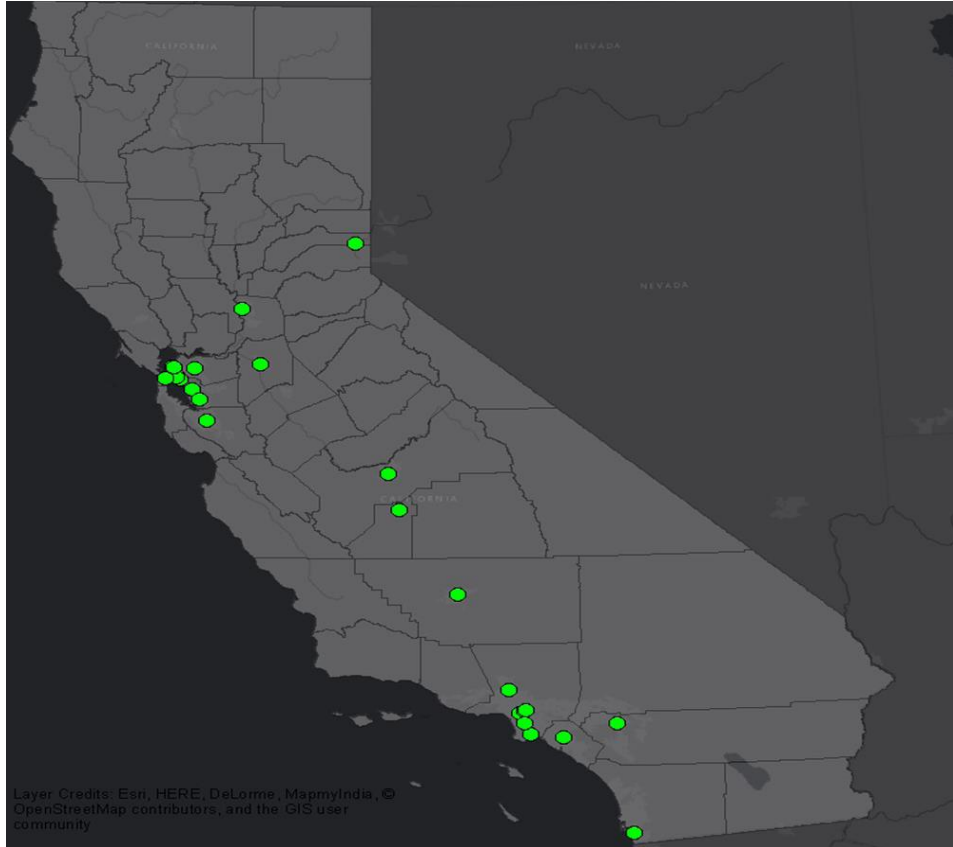
- Must drive GHG reduction to qualify
- Must tie into MPO plan and mobility objectives
- Must be feasible

## Application Scoring Criteria



# Strategic Growth Council

- 28 projects in 21 cities and 19 counties
- 2,003 New Affordable Units near Transit
- \$89 million to affordable housing
- Remainder of \$120 million funded transportation improvements and program planning





# Strategic Growth Council

- SGC funding has the ability to supplement but not replace local affordable housing efforts
- Unlike the 20% set aside that was locally produced, projects must compete as State-wide priorities
- Projects at TOD sites have critical advantage
- Evaluations stress reduction in VMT

# **Economic Development Toolbox for a Post-Redevelopment World**

**David Bergman, AICP  
Principal  
Metropolitan Research and Economics  
David.Bergman@mrpluse.com**