Plumbing of the World is Changing

GREEN ECONOMY
• California shifting to a reduced carbon footprint “green” economy
• Mandates are aggressive
• “Green” public/private projects eligible for incentives

TECHNOLOGY
• Changing the way we live: shifting retail & tenant mix, interaction, and connectivity (e.g. driverless cars, robots, big data)
• Retail adapting to new patterns, bricks/clicks, omnichanneling, focus on trips vs sales
• The new store may be an industrial building; last mile delivery reflects changes in seller/buyer behavior and expectations

ECONOMIC DEVELOPMENT
• Loss of jobs to automation requires unprecedented commitment to job creation and “continuous” education
• Housing shortage affects all; state-wide priority with mixed local support
• Cities need private $$ to create jobs & tax revenue and housing
• Economic Development is not a mission, it’s an imperative
  New E.D. needed based on shifts in climate action controls, technology, and lifestyle preferences
Accelerating the Path to a Green Economy

CALIFORNIA: THE WAY WE CONDUCT BUSINESS HAS CHANGED

NOW THE WORLD LEADER IN FIGHT AGAINST CLIMATE CHANGE

SB 32 requires State to reduce greenhouse gas emissions 40% below 1990 levels by 2030.

Economic Development strategies and public private projects have to be reframed:

Next Gen E.D. provides new tools to induce sustainable projects in a digital world & address loss of RDA DEVELOPMENT, DISTRICTS, DIGITAL
State Pushing Business, Government and Utilities to *Shift From an Oil-Based Economy*

- Businesses in California must incorporate GHG emission reduction strategies into operations to comply with federal and state mandates (AB 32, SB 375, SB 350).
- In 2016, compliance schedules accelerated via SB 32 and AB 197.

**Focus of Next Gen Economic Development**

- Sustainable Infrastructure Investments
- Energy-Saving Industrial Processes
- Renewable Energy Investments
- Cap and Trade Program
- Building Efficiency Design and Upgrades
- CEQA Analysis Changes from VMT to # of Trips
New Economic Development Tools: Attract Private Investment through Sustainability

- **Enhanced Infrastructure Financing Districts (EIFDs)** (SB 628/AB 313)
  - Focus on infrastructure and public/private transactions

- **Community Revitalization and Investment Authorities (CRIAs)** (AB 2/AB 2492)
  - Similar with stringent eligibility standards & focus on affordable housing

- EIFD AND CRIA encourage regional approach with multiple local agencies (cities, counties & special districts) to maximize tax increment financing

- Can enhance tax increment with state funding geared to climate action and transportation programs: Cap & Trade/GGRF, Prop 1, plus regional transportation sales tax measures (Measures R & M)
Next Generation Economic Development uses districts, infrastructure & technology to accomplish:

- Sustainability
- Energy/Resource Efficiency
- GHG Reduction
- Community Revitalization
- Regional Cooperation

PLACEMAKING

JOB CREATION

TAX GENERATION
EIFD/CRIA: Induce Projects Via Infrastructure

- **Can be a replacement to redevelopment**
  - City can revitalize an area through Tax Increment Financing (TIF);
  - City allowed to use County or Special District property tax share as well as revenues pledged by special districts, if mutually agreed

- **Catalyzes projects in development driven scenarios**
  - Developer interested in pursuing project can use EIFD/CRIA tax increment to help finance necessary infrastructure (reimbursement)
  - Managed by Public Financing Authority with 1 or more public agencies
Types of Projects EIFDs/CRIAs 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

Source: SB 628 – Bill Text
Economic Development 2.0 Gives Cities New Financing Tools

- State has approved new “districts” including EIFDs (and CRIAs, others):
  - Enable tax increment financing for local/regional projects (e.g. purchase, construction, expansion, improvement, seismic retrofit, rehabilitation)
  - Encourage joint ventures with cities, counties, special districts, and private developers
  - Districts geared to infrastructure, sustainability, energy efficiency
  - Can combine tax increment with other regional and state-authorized financing programs such as GGRF grant funds, PACE, etc.

- District lifespan is 45 years to collect and spend property tax increment
- Any property with estimated useful life of 15+ years & of communitywide significance
- Managed by newly created Public Financing Authority (led by City or County) – board of 5+ members, includes at least 2 public members
- EIFD activities directed by PFA-adopted Infrastructure Financing Plan (IFP)
- No public vote required to create district
- 55% landowner or registered voter election needed for tax increment bonds
- No school district increment allowed
- Does not increase property taxes
EIFDs & CRIAs Have Diverse Funding Sources

**Can combine multiple funding sources with tax increment:**
- Bond Issuance with 55% voter approval

**Federal and State Funding Sources:**
- Proposition 1 bond funds
- Cap-and-trade proceeds
- Greenhouse Gas Reduction Funds (GGRF)
- Federal DOT/EPA/DOE funding programs

**Other Funding Sources:**
- Bond Issuance with 55% voter approval
- Vehicle License Fee (VLF) property tax backfill increment
- Development Agreement/Impact Fees
- City/County/Special District loans
- Hotel TOT
- User fees/assessments (contribution from Special District; levied by EIFD)
- Private investment
Sample List of EIFDs / CRIAs Currently Under Evaluation

- City of Watsonville
- City of Seaside
- City of Carson
- City of Placentia
- City of Santa Ana / Garden Grove
- City of Rialto
- City of Ontario
- City of La Verne
- NELARC (Los Angeles, CA)
- City of Rialto
- City of Ontario
- City of La Verne
- NELARC (Los Angeles, CA)
- City of Riverside / San Bernardino
- City of Grand Terrace
- City of Coachella
- City of San Jacinto
Global Climate Control Meets Local Economic Development

Hasan Ikhrata
Executive Director
Southern California Association of Governments

September 13, 2017
The SCAG Region

• Nation’s Largest Metropolitan Planning Organization (MPO)
• 38,000 Square Miles
• Nation’s Global Gateway for Trade
• Develops the Region’s Long-Range Transportation Plan (RTP/SCS)
SCAG Regional Issues

TRANSPORTATION
GOODS MOVEMENT
HOUSING
AIR QUALITY
SCS/LAND USE
FUNDING
LONG TERM GROWTH FORECAST
WATER
RTP/SCS Highlights

• Strategic Investments to Relieve Congestion

• Rail Expansion

• Goods Movement/Logistics Industry Investment

• Increased Active Transportation Options

• Strengthens the Health of Our Communities

• Economic Development (Jobs)
Cap & Trade in Southern California

WITH GGRF

$119M Housing

$276M Rail

$37M Transit

$108M EVs

WITHOUT
Sustainable Infrastructure Requires Regional Implementation

• As a result of state and regional GHG reductions targets, there is increasing pressure on local agencies to deliver sustainable infrastructure

• Sustainable infrastructure is increasingly regional in nature

• SCAG is a planning and coordinating agency for GHG reduction mandates;
  • SCAG has been assisting local jurisdictions in implementing EIFD/CRIAs to deliver infrastructure and affordable housing in the context of its Regional Transportation Plan (RTP) / Sustainable Communities Strategy (SCS)

• SCAG retained Kosmont to provide an overview of how SCAG’s member cities may finance sustainable development infrastructure using two new post-RDA tools:
  ➢ EIFD – Enhanced Infrastructure Financing Districts (SB 628 / AB 313)
  ➢ CRIA – Community Revitalization and Investment Act (AB 2 / AB 2492)
EIFD/CRIA Technical Assistance Application User Guide

Last Updated: March 29, 2017

What is it?
With the passing of Senate Bill 628 and Assembly Bills 2, 313, and 2492, Californian cities are now able to finance sustainable development infrastructure using Enhanced Infrastructure Financing Districts (EIFDs) and Community Revitalization and Investment Authorities (CRIAs). The EIFD/CRIA Technical Assistance Application was developed in March 2017 to provide SCAG jurisdictions with user-friendly tools to quickly assess potential project areas for their eligibility to become EIFDs or CRIAs.

How Do I Use It?
Log on to http://arcg.is/2mMKdnK on your web browser.

Each section of the web application has a brief description on the left of how to use it. This guide
Passenger Rail and Transit - 1920
Passenger Rail and Transit - 1990
Passenger Rail and Transit - 2012

Light and Heavy Rail Extensions

Bus Rapid Transit Expansion

Metrolink/LOSSAN Upgrades
Passenger Rail and Transit - 2040

Light and Heavy Rail Extensions

Bus Rapid Transit Expansion

Metrolink/LOSSAN Upgrades
Redlands Rail Extension – 2040

- Light and Heavy Rail Extensions
- Bus Rapid Transit Expansion
- Metrolink/LOSSAN Upgrades
“If you don’t cannibalize yourself, someone else will.” – Steve Jobs

Think different.
The New Customers: Millennials

Who are they?
- 15 – 35 year-olds
- Expected to be largest buying cohort by 2017

What do they want?
- Smaller footprint → Sharing Economy
- Convenience → Internet of Things
- Health and Sustainability → Big Data

Source: The Westly Group
Sharing Economy – Impacting Every Industry

Hotels
- Hilton
- airbnb

Transportation
- Uber

Finance
- Bank of America
- LendingClub

More to come...

100k companies and counting

Source: The Westly Group
Thank you!

To learn more about what we do, please visit:

www.scag.ca.gov
TOD EIFD Case Study: City of La Verne, CA

The Proposed District

• 83 parcels covering 140 Acres with 42 unique land owners
• Near the future Gold Line Transit Station, University of La Verne, LA County Fairplex & Historic Old Town La Verne
• Facilitates the desired development identified in the OTLV Specific Plan
• Goals: Improve Aesthetics, Enhance Connectivity, Expand Utilities
• Supports 14 projects estimated to cost over $30M

Projects (public and private)

• Development of mixed-use and TOD housing, hotel, retail and event space
• Station area improvements: parking, bikeways, and pedestrian infrastructure
• Sustainable improvements to commercial and industrial structures??

EIFD Status

• Completed preliminary evaluation
• Adopted Resolution of Intent for City to be lead public agency
• Scheduled public hearing of IFP for October
• Goal: Submit application to BOE by December 1 deadline
FIGURE 11.4C: ILLUSTRATION OF DEVELOPMENT STANDARDS AND GUIDELINES
Mixed-Use 1 and 2: Arrow Highway/TOD

TOD EIFD Case Study:
Arrow Hwy Conceptual
La Verne EIFD: Preliminary Potential EIFD Map

- Westbound to Pasadena
- Metro Gold Line Route
- Eastbound to Montclair
La Verne EIFD: Tax Increment Projections

- Evaluated 5, 10 and 20 year projections and infrastructure needs
- Analyzed market limitations (scaled down expectations)
- Project Area current assessed value ~$63 million

### City of La Verne Preliminary Assessed Value Projections

<table>
<thead>
<tr>
<th>Development Type</th>
<th>Units</th>
<th>Projected AV/Unit/SF</th>
<th>Projected Total Assessed Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel</td>
<td>150 Keys</td>
<td>$100,000</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>Retail</td>
<td>110,000 SF</td>
<td>$250</td>
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<td>Business Park</td>
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<tr>
<td>Apartments</td>
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<td>Condominiums</td>
<td>915 Units</td>
<td>$300,000</td>
<td>$274,500,000</td>
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<tr>
<td><strong>Total Projected AV New Development</strong></td>
<td></td>
<td></td>
<td><strong>$484,000,000</strong></td>
</tr>
</tbody>
</table>

**Key Initial Findings**

- Overall district will generate enough to support the projects however it will be slow at accumulating with City as only taxing entity
- LA County participation possible based on their having assets in the District (Fairgounds)
La Verne Annual EIFD Tax Increment
*(based on La Verne TI estimates)*
La Verne EIFD: Partnerships & Status

La Verne Pitch to County for EIFD Participation:

• Goals of La Verne EIFD are consistent with adopted goals of the County in their Economic Development Resolution

• Projects proposed through EIFD have tangible benefit to County facilities

• EIFD projects will induce private investment, and accelerate development potential increasing assessed value sooner

Status of County as Partner:

• County adopted policy for review of EIFDs

• City in process of submitting application concurrent with “going alone”

• If successful, District will need to be amended and County added to the PFA board

• County staff has indicated it will be an extended review period
Greg Devereaux
Managing Partner, Worthington Partners
Questions?

Thank you