

TOOLS TO BOOST HOUSING & ECONOMIC DEVELOPMENT: TAX INCREMENT FINANCING

AARON LAUREL
ECONOMIC DEVELOPMENT & HOUSING DIRECTOR
CITY OF WEST SACRAMENTO

LEAGUE OF CA CITIES CONFERENCE
SEPTEMBER 14, 2017



OUTLINE

1. TIF BASICS
2. NEW TIF TOOLS IN CALIFORNIA: EIFDs & CRIAs
3. CALED TIF RESOURCES
4. WEST SACRAMENTO CASE STUDY

TIF BASICS

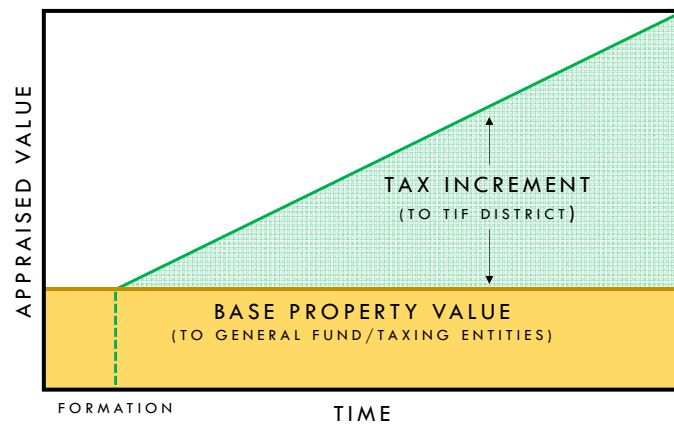
TAX INCREMENT IS NOT A NEW "TAX"

- Tax increment is "value capture" of property tax, not an additional tax on property owners
- Growth in assessed value is captured by district & re-invested to accelerate growth

TAX INCREMENT FINANCING

- TIF programs allow bonding against growth, typically for redevelopment or infrastructure
- TIF is common throughout the US & other countries
- In California, RDAs were the primary tool for using TIF

TIF BASICS



TIF BASICS

EVOLUTION OF TIF IN CALIFORNIA

- RDAs eliminated in 2011 – RDAs represented 12% of statewide property tax
- Redevelopment went away, but *redevelopment* did not...
- New TIF tools needed for infrastructure, brownfields, land assembly, & affordable housing
- 2014-present: emergence of “voluntary” TIF programs – IFDs, IRFDs, **EIFDs**, & **CRIAs**



EIFDs & CRIAs

ENHANCED INFRASTRUCTURE FINANCING DISTRICTS

- Enabled in 2014 by SB 628 (Beall) w/AB 313 (Atkins) cleanup in 2015
- Based on IFD law (1992), modeled after CFD law (Mello Roos Act of 1982)

COMMUNITY REVITALIZATION & INVESTMENT AUTHORITIES

- Enabled in 2015 by AB 2 (Alejo) w/AB 2492 (Alejo) cleanup in 2016
- Based on Community Redevelopment Law

ELIGIBLE USES

EIFDs — Public Capital Facilities of “Communitywide Significance” such as:

- Roads, transit facilities, & parking facilities
- Sewer/water treatment facilities
- Solid waste facilities
- Flood control
- Child care facilities
- Libraries
- Parks & recreational facilities
- Brownfield remediation
- Affordable housing
- Industrial building improvements
- Port infrastructure
- Military base reuse projects

CRIs — Generally all of the above, plus redevelopment-focused uses:

- Acquisition of property for economic development (*also see AB 806*)
- Direct business assistance for industrial & manufacturing uses
- Building & site improvements on private property

SIMILARITIES

- Voluntary participation of taxing entities & choice to allocate all or portion of TIF
- School & college districts may not participate
- City/County must have RDA finding of completion from Department of Finance, State Controller review, & no pending litigation against State
- Replacement housing & relocation required if residents are displaced
- Polanco/Gatto Act authority for brownfields
- May be used in former RDA areas, but Successor Agency debts are “senior” – revenue & bonding potential may be limited until debts are satisfied
- Alternative revenue sources may be pledged to TIF stream (RDA “boomerang” distributions, property tax in-lieu of VLF, CFD assessments, parking revenue, etc.)

DIFFERENCES

	EIFDs	CRIs
Qualifying Criteria	None, but facilities must have "community-wide significance"	Unemployment, crime, or blight findings AB 2942 adds "disadvantaged communities"
Governance	Public Finance Authority	City, County, or JPA
Voter Approval: Formation	None	Only with protest of >25% of property owners/residents
Voter Approval: Bonding	55% of district property owners/voters	None
Planning Document	Infrastructure Financing Plan	Community Revitalization & Investment Plan
Term	45 years from bond issuance approval	45 years from formation
Housing Set-Aside	None	25%
Inclusionary Housing	None	15% of all units developed/rehabilitated
Eminent Domain	Not allowed	Allowed (same as RDAs)

EIFD or CRI?

- In either option, it's the same money
- EIFD advantages: longer potential term, less housing restrictions, potentially easier formation & administration, & may expend funds outside district
- CRI advantages: property acquisition, eminent domain, & no vote for bonding
- No rule of thumb, but EIFDs may work better in larger areas (non-contiguous or multi-jurisdictional) & CRIs may be better for smaller-scale infill projects or where eminent domain is needed



OTHER CONSIDERATIONS

- *Do the math:*
Run tax increment projections & compare 45 years of EIFD/CRIA with remaining TI of former RDA
- *City-County EIFDs/CRIs can be a win-win:*
Unlike with RDAs, cities & counties share the upside since tax increment allocations are scalable
- *Don't forget long-term maintenance:*
Consider forming a maintenance CFD or PBID concurrently as a EIFD/CRIA companion
- *Affordable housing:*
EIFDs/CRIs offer an easier option to bond for affordable housing vs. general obligation bonds

CALED RESOURCES

CALED TIF TECHNICAL COMMITTEE

- Formed in 2016 to become the go-to resource for information on new TIF tools
- Members include consultants, attorneys, & local government practitioners
- www.caled.org/tif-technical-committee

TIF PRIMER

- Introduction to tax increment financing
- Technical chapters for using EIFDs, CRIs, & other available TIF tools
- Practical considerations for implementing TIF

Primer on California's New Tax Increment Financing Tools

Complete projects with CRIs and EIFDs
to further your economic development goals



CALIFORNIA ASSOCIATION FOR LOCAL ECONOMIC DEVELOPMENT

WEST SACRAMENTO CASE STUDY

- City incorporated in 1987 from four historically disadvantaged communities
- West Sacramento RDA covered 45% of city – mostly obsolete waterfront industrial areas & blighted commercial corridors
- RDA focused funding on infrastructure, property assembly, planning, & affordable housing
- In its last 10 years, RDA contributed \$60 million in TI to riverfront infrastructure – **doubled by grants**



RIVERFRONT PROGRESS

- Nearly 1,000 housing units complete or under construction, including 150 affordable units
- RDA elimination threatened to stall progress, but City took action:

- Allocated former RDA \$ to infrastructure fund
- Shifted tax increment financing strategy to EIFDs

Goal was to replicate RDA's investment in infrastructure

- EIFD formation completed in June 2017:

- EIFD will continue focused investment in riverfront area to support new infill mixed-use development
- Projects include three new bridges, streetcar expansion, parks, brownfield cleanup, & other infrastructure



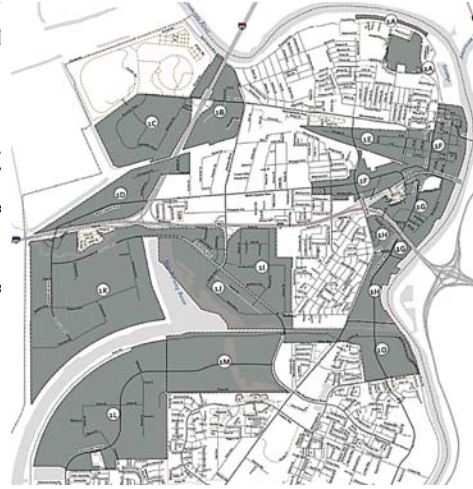
WEST SACRAMENTO EIFD

Former RDA Area



5,416 Acres

EIFD Area



4,127 Acres