

INFRASTRUCTURE FINANCING DISTRICTS

A NEW TOOL FOR
TAX INCREMENT FINANCING

AARON LAUREL, CITY OF WEST SACRAMENTO



IFD BACKGROUND

1990: IFD law enacted

1990-Present: Only three IFDs formed:
Carlsbad, SF, & West Sacramento

February 2014: AB 471 (Atkins):
Removed prohibition on former RDA areas

September 2014: SB 628 (Beall):
Enhanced IFDs authorized

Present: AB 313 (Atkins):
EIFD cleanup bill

IFD BASICS

- Tax increment financing – only form available in CA
- *Not a tax* on property owners
- Allows cities to dedicate property tax growth & *issue bonds* for strategic projects



CONTRAST WITH REDEVELOPMENT

- No blight findings required
- Boundary may be non-contiguous
- Funds may be expended outside district
- Other agencies must opt in (schools prohibited)
- Voter/property owner approval for bond issuance
- Narrower scope of eligible costs & powers

SB 628 “ENHANCEMENTS”

- 45-year term (starts at bond issuance)
- City Council vote to form district
- 55 percent voter threshold for bonds
- Expanded list of eligible uses
- Alternative options for EIFD revenue (RPTTF & VLF)

EIFD USES

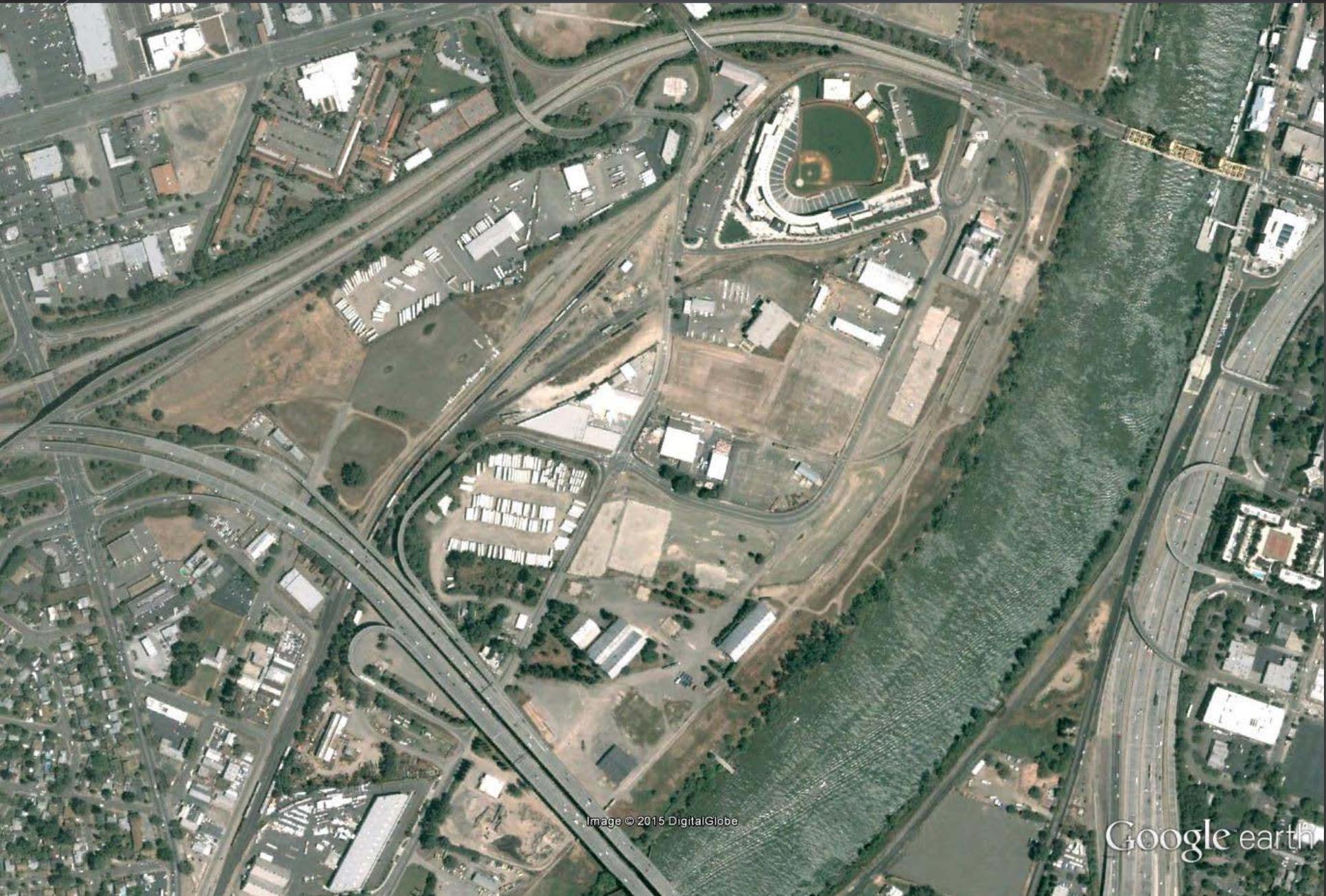
- *Any capital project of community-wide significance:*
 - Highways, street, bridges, etc.
 - Parking & transit facilities
 - Sewage & water infrastructure
 - Flood control
 - Libraries & child care facilities
 - Parks and recreational facilities
 - IFD project planning & design work
 - *Brownfields*
 - *Military base reuse*
 - *Affordable housing*
 - *Transit priority projects/SCS projects*

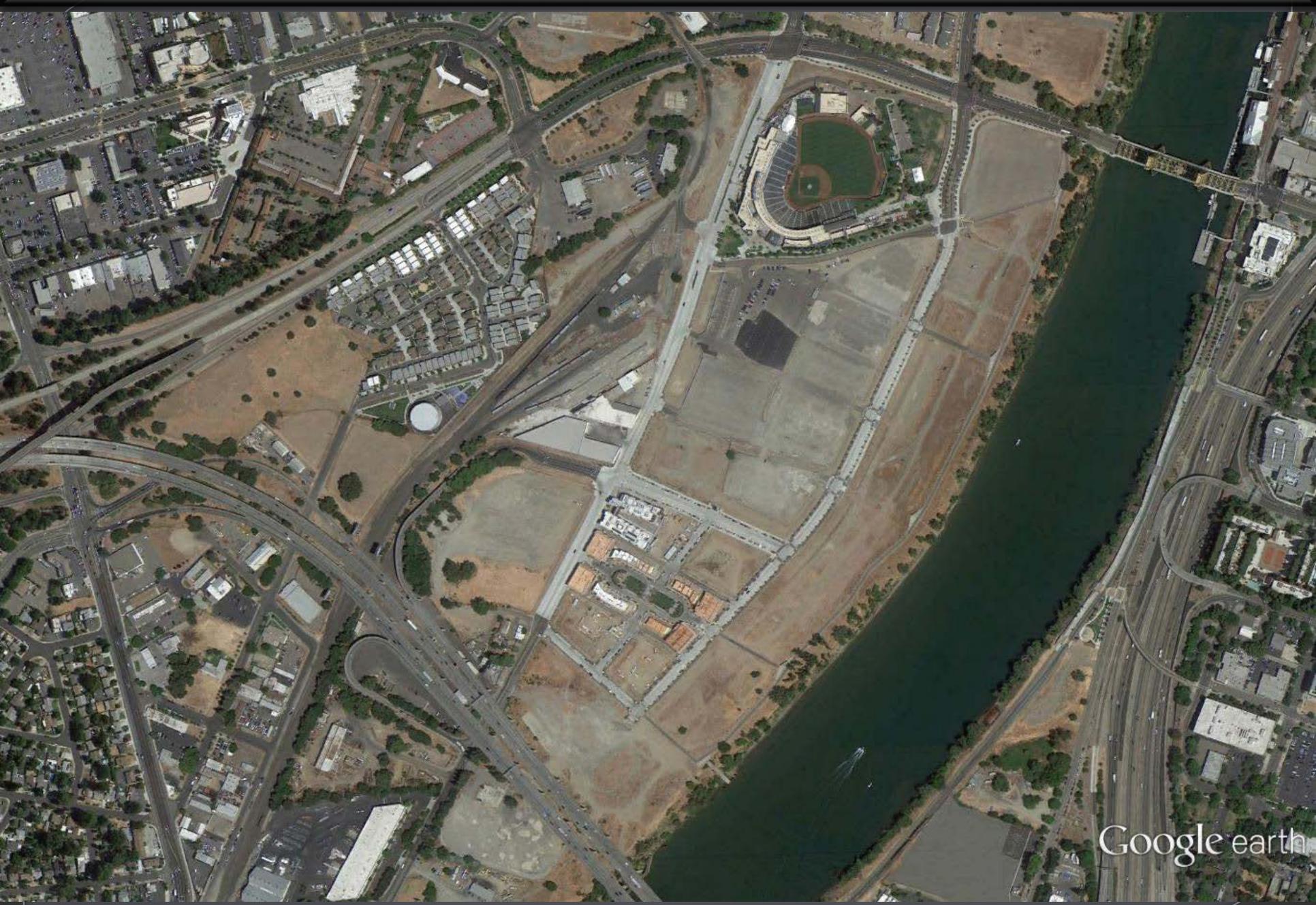
EIFD FORMATION

- City Council actions:
 - Adopt resolution of intent to create EIFD
 - Public hearing on Infrastructure Financing Plan:
 - *Plan includes fiscal impact analysis*
 - *Other participating agencies also must approve*
 - Adopt formation resolution
 - Set election to authorize bond issuance

WEST SACRAMENTO CASE STUDY

- City incorporated in 1987
- Redevelopment covered 45% of city
- In its last 10 years, RDA contributed over \$60 million in tax increment to infrastructure projects near the riverfront
- RDA TI investment was doubled by infrastructure grants





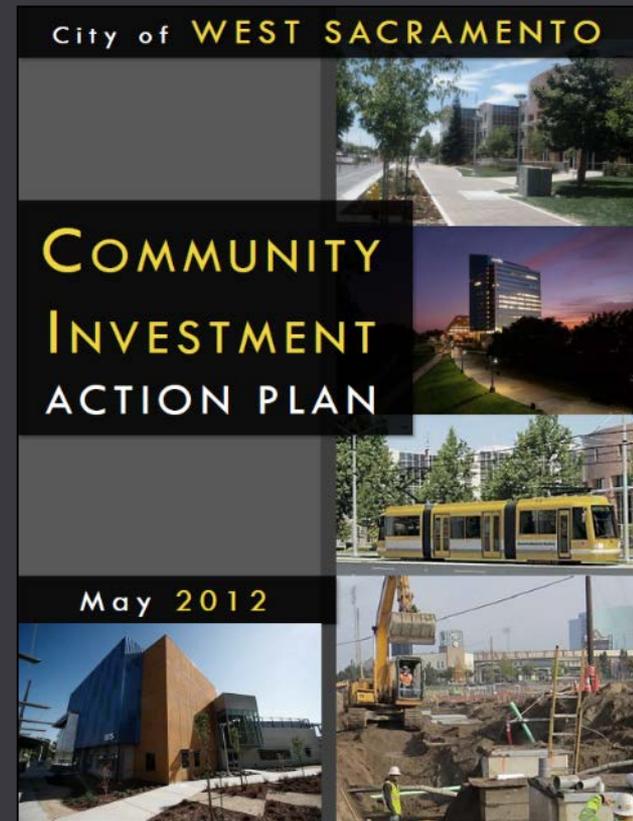
BRIDGE DISTRICT PROJECT

- \$60 million project including rail removal, demolition, new roads, streetscape, utilities, & parks:
 - *\$15 million from property owner assessments*
 - *\$15 million from RDA*
 - *\$30 million from grants*



RDA ELIMINATION

- Bridge District housing & other projects stalled
- City produced Community Investment Action Plan
- Plan goal:
Replicate RDA's level of infrastructure investment
- Plan identified IFDs as long-term funding solution



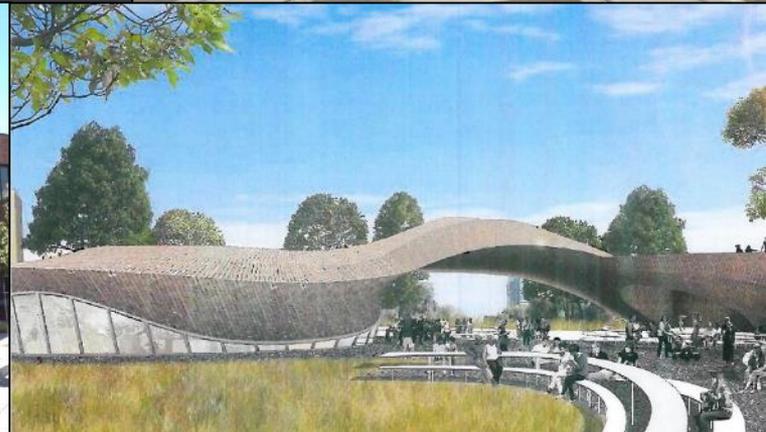
BRIDGE DISTRICT IFD

- Unsuccessful litigation vs. State
- AB 471 enacted
- IFD formed in 8 months & \$100K in startup costs
- Property owner vote with simultaneous bond vote



BRIDGE DISTRICT PROGRESS

- Over 700 units complete/under construction
- Riverfront events & entertainment venue under construction
- Streetcar construction planned for 2016
- Planning now underway for citywide EIFD



EIFD_s – THINGS TO CONSIDER

- *EIFD cleanup bill (AB 313):*

Creates greater separation of roles & governance between the EIFD & the city/county

- *Think strategically about boundaries:*

EIFDs can work on a project level or area-wide basis

- *Do the math:*

Run tax increment projections & compare 45-year EIFD tax increment with remaining tax increment of former RDA

EIFD_s – THINGS TO CONSIDER

- *City-County EIFDs can be a win-win:*

Unlike with RDAs, cities & counties share the “upside”

- *Don't forget long-term maintenance:*

Form a maintenance CFD or PBID as an EIFD companion or set aside a portion of district tax for long-term maintenance

- *Budget for administration:*

EIFDs are less complex than RDAs but will have admin costs, so set aside a small share of district tax for EIFD management

EIFD_s – THINGS TO CONSIDER

- *The return of redevelopment is very unlikely:*
Make the most of EIFDs & focus on legislative improvements
- *EIFDs encourage budgetary discipline:*
Annual general revenue budget allocations for infrastructure can be difficult for city councils to sustain
- *AB 2 (Alejo) may offer an EIFD alternative:*
AB 2 still requires voluntary participation from other agencies but no vote to issue bonds