**REPORT OF THE**
**CHIEF LEGISLATIVE ANALYST**

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DATE: April 12, 2018

TO: Honorable Members of the Economic Development Committee

FROM: Sharon M. Tso
Chief Legislative Analyst

Council File No.: 14-1349-S1, S2
Assignment No. : 17-11-1085

SUBJECT: Enhanced Infrastructure Financing District (EIFD) Establishment Policy

## SUMMARY

On February 14, 2017, the Economic Development Committee (EDC) considered a report from the Economic and Workforce Development Department (EWDD) relative to the establishment of a Citywide Policy for Enhanced Infrastructure Financing Districts (EIFD) dated February 9, 2017 (EWDD Report). The EWDD Report recommends that the Mayor and Council adopt the proposed EIFD Establishment and Investment Policy, as described in the report (Attachment A). During its meeting, the EDC noted policy elements that require further assessment and directed our Office to review the EWDD report and make recommendations on how best to proceed with the implementation of an EIFD Establishment Policy (Establishment Policy).

Subsequent to the Committee's action, the County of Los Angeles adopted its own policy for the implementation of EIFDs (Attachment B). In addition, AB 1568, signed by the Governor on October 7, 2017, amended EIFD law to allow for the creation of Neighborhood Infill Finance and Transit Improvements (NIFTI) areas, which permit the allocation of local sales and use tax revenue to support an EIFD, subject to a number of requirements (Chapter 319). This report provides a summary of the County's policy and the new changes to EIFD law pursuant to AB 1568.

In response to the EDC's instructions, this report addresses key components of the EWDD Report, with consideration of the County's newly established policy and AB 1568. Our Office recommends that the Establishment Policy, as presented by EWDD, be adopted as amended in this report.

## RECOMMENDATIONS

That the City Council:

1. Adopt the attached Citywide EIFD Establishment Policy (Attachment A) as amended to:

    (a) Require that any request for an exception from the 50 percent maximum contribution to an EIFD provide the following:

    (i) A proposal with two fiscal analyses: one with the contribution at 50 percent and another at the proposed greater percentage, including any findings to justify the contribution.

(b) Require that any request for an exception from the 50 percent maximum contribution to an EIFD with a proposed NIFTI provide the following:
   (i) A NIFTI proposal with two fiscal analyses: one with the contribution at 50 percent and another at the proposed greater percentage, including any findings to justify the contribution.

(c) Require that the final contribution amount be approved by the Council and Mayor (Section III); and

(d) Require that a Council Motion be approved to initiate an EIFD feasibility study (Section V) (Attachment C);

2. Instruct the Economic and Workforce Development Department (EWDD) to report within 60 days relative to any revisions needed to the Citywide EIFD Policy as a result of AB 1568, if necessary; and

3. Instruct EWDD to monitor EIFD law and EIFD formation in other cities.

## BACKGROUND

An EIFD may be created by a local jurisdiction as a tool to finance community revitalization and infrastructure projects, primarily through the use of tax increment financing in a defined geographic area. EIFD law authorizes a local jurisdiction, alone or with other participating taxing entities, to form a Public Financing Authority (PFA), which is a separate legal entity that would be tasked with the formation of an EIFD project area. The PFA would draft an Infrastructure Financing Plan (IFP) for the use of the funds collected in the area, secure voter approval for any bond issuance, and maintain long-term oversight over the EIFD, among other responsibilities. The EIFD Citywide Establishment Policy, as proposed by EWDD, outlines the criteria under which the City would consider forming an EIFD and institutes a streamlined review and approval process.

**County of Los Angeles**

On August 1, 2017, the Los Angeles County Board of Supervisors approved a policy for evaluating EIFDs and Community Revitalization and Investment Authorities (CRIAs), including minimum requirements for the County's participation and the required fiscal analysis and proposal standards (Attachment B), as summarized below.

Minimum Requirements

1. A city's share of property tax increment must equal a minimum of 15 cents for every dollar captured in the EIFD Project Area.
2. A city's contribution of tax increment must be at least equal to that contributed by the County General Fund and its special districts.
3. The County must not be required to contribute 100 percent of its tax increment.
4. The fiscal analysis conducted by the County must demonstrate a positive net impact to the County General Fund as a result of the tax revenue generated from the Project Area.
5. The EIFD project(s) must align with established Board priorities in one or more of the following areas: affordable housing, homeless prevention, workforce development, or sustainability.
6. Rental housing proposed for the EIFD must allocate a minimum of 20 percent of all units for affordable housing. In some cases, this requirement may be satisfied through payment of an in-lieu fee or provision of an equal amount of affordable units in proximity to the site.
7. The EIFD proposal must be consistent with State EIFD law.

Fiscal Analysis

1. A fiscal analysis of an EIFD proposal will determine the financial impact to the County. The County may require reimbursement from the proposing entity for the cost of the analysis.
2. Any fiscal analysis will review:
    a. Anticipated growth in assessed value absent any new development;
    b. Expected new development;
    c. Tax increment generated as a result of new development opportunity associated with the EIFD;
    d. Tax increment contributions from each participating entity;
    e. Scenario analysis based on different contributions from each County taxing entity;
    f. Property tax revenue to each taxing entity as a result of new growth in assessed value; and
    g. Sales and transient occupancy tax revenues resulting to a city and County.
3. Demonstrate a positive net impact to the County General Fund.
4. A sensitivity analysis shall evaluate risks associated with tax forecasts that may impact the actual development realized.

Proposal Standards

EIFD proposals should:

1. Be directed to the Economic Development Unit of the CEO;
2. Demonstrate regional and community significance;
3. Meet the "but for" test demonstrating that the County's contribution is necessary;
4. Estimate costs for infrastructure projects; include a cap on the County's contributions with a finite list of infrastructure projects to be completed and a plan to fund the related operations and maintenance costs of each project;
5. Fund the administrative costs and early year start-up expenses;
6. Provide a bond issuance schedule and any estimated amount of bond proceeds in relation to any debt to be secured by EIFD tax increment;
7. Should the proposed EIFD boundaries be within a former redevelopment project area, evaluate the amount of residual revenue in relation to the projected tax increment;
8. Project job creation projections;
9. Provide affordable housing opportunities; and
10. Evaluate potential impact to adjacent unincorporated areas.

The County stipulates that "any departure from these policies must be justified by significant overriding consideration." Should the City seek County participation in an EIFD, its formation process must comply with these County policies or it should secure any needed exemptions early in the negotiation process. In addition, any long-term EIFD financial projections and goals must recognize the County's policy and the City's intention to meet the County's requirements.

**AB 1568**

AB 1568 modified EIFD law by authorizing a jurisdiction to form a Neighborhood Infill Finance and Transit Improvements (NIFTI) district within an EIFD. A jurisdiction can form a NIFTI by adopting a Resolution to allocate revenues derived from local sales and use taxes[1] (collectively "tax revenue") to the NIFTI district. Tax revenue could be expended within the NIFTI district subject to a number of requirements, including:

1. The area is an infill site, as defined in the legislation.

[1] Pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law or transactions and use taxes imposed in accordance with the Transactions and Use Tax Law.

2. At least 20 percent of the total funds received by the district pursuant to these regulations must be used for the acquisition, construction, or rehabilitation of housing affordable to low income or very low income households.
3. The IFP requires that affordability requirements be met prior to specified time limits, including that at least 20 percent of any new housing units constructed in the district be affordable to low or moderate income households with at minimum six (6) percent of the new units restricted to very low income households and at minimum nine (9) percent of the new units restricted to low income households. The IFP shall ensure that the requirements are met every 10 years.
4. The use of the tax revenue pursuant to the IFP is consistent with the purposes for which that tax is imposed.
5. The EIFD boundaries are coterminous with the jurisdiction that established the district.

Tax revenue cannot be used for highway or highway interchange improvements.

Pursuant to AB 1568, an EIFD must require recorded covenants or restrictions for the affordable housing units financed with tax revenue funds for a minimum term of 55 years for rental units and 45 years for owner-occupied units. AB 1568 established that projects funded by EIFDs are not subject to specified Labor Code provisions.

Further, the legislative body may not adopt an ordinance terminating an EIFD created pursuant to NIFTI if the district has not complied with its affordable housing obligations.

**Proposed Citywide EIFD Establishment Policy**

EWDD proposed a Citywide EIFD Establishment Policy (Attachment A) that describes a process to assess a proposed EIFD, determine the amount of tax increment that would be contributed to the EIFD, and other considerations to implement an EIFD in the City. The analysis below reviews sections of the proposed EIFD Establishment Policy, and proposes amendments to refine the policy and consider the newly authorized NIFTI districts.

**Section III: The City's Approach to Committing Tax Increment to an EIFD**

Summary: EWDD proposes that generally the maximum tax increment that the City would commit to an EIFD is the lesser of: (a) 50 percent of its share of tax increment generated in the EIFD; or (b) the portion of tax increment generated in the EIFD that would not have occurred but for the formation of the EIFD, less the costs of forming and operating the EIFD. Also, in some cases, the City Council may elect to contribute more than 50 percent of the City's share of tax increment generated in the EIFD.

Comment: At the EDC meeting, a concern was raised relative to the maximum percentage that the City would permit to be allocated to an EIFD. Specifically, the EWDD Report recommends that no more than 50 percent of tax increment generated in an EIFD be dedicated to fund projects in the EIFD, though exceptions to the tax contribution could be made on a case-by-case basis. The EDC raised concerns that this policy does not set clear guidelines for when exceptions would be made.

Amendment: Our Office recommends that the 50 percent cap on the contribution only be waived with Council and Mayor approval. Any proposal to contribute an amount above 50 percent should include, at minimum, two financial scenarios with the contribution: (1) at 50 percent; and (2) at the proposed greater percentage with any findings that would justify the contribution. Should a NIFTI be considered for the EIFD, the proposal shall also include a NIFTI scenario with the contribution: (1) at 50 percent; and (2) at the proposed greater percentage with any findings to justify the contribution. This would ensure that any waiver from this policy be thoroughly reviewed under various scenarios and at multiple levels.

**Section V: Accepting and Responding to Requests to Establish EIFDs in the City**

Summary: EWDD outlines a process for determining whether to proceed with forming a proposed EIFD that begins with EWDD, the Mayor's Office, or a City Council Office submitting an "EIFD Preliminary Assessment Request Form" to EWDD via e-mail.

Amendment: Our Office recommends that a request for an EIFD feasibility study be initiated through an approved Council Motion, consistent with practice to date, rather than an administrative process as proposed by EWDD. A Motion would require a more formal approach with Council support prior to expending resources to study any proposed EIFD's feasibility and ensure that the concept of an EIFD in the proposed geographic location is consistent with the Council District's development objectives. A Council Motion would set clear expectations and goals for each potential EIFD.

The proposed revisions to effectuate these amendments are included in Attachment C.

**Housing**

Our Office notes the varying housing requirements under the proposed EIFD City policy, County policy, EIFD law, NIFTI districts, and other tax increment financing programs. The County's EIFD Policy relative to an affordable housing unit obligation (Minimum Requirement #6) is not a requirement of EIFD law nor proposed in the City's EIFD Policy. However, this requirement is similar to the affordable housing requirement in AB 1568. The County's EIFD Policy requires that any rental housing project proposed within the EIFD allocate a minimum of 20 percent of all units for affordable housing or pay an in-lieu fee, or provide affordable units in proximity to the site. The County's EIFD Policy requirement is an obligation of all rental housing developed within an EIFD, and not limited to housing developed with a public subsidy or incentive under the EIFD plan. This requirement is different than that of former redevelopment law and current CRIA law, where a percent of the tax increment funds generated is designated for affordable housing, 20 percent and 25 percent respectively.

Should the City choose to form a NIFTI, AB 1568 requires that 20 percent of all new units built in the district be affordable. This NIFTI requirement is similar to the County's requirement, except that the County applies the 20 percent to rental housing only. Further, NIFTI requires that the 20 percent be restricted to very low to moderate income households (as described in the AB 1568 section of this report), while the County does not prescribe an affordability mix. Unlike the County, in-lieu provisions are not included in NIFTI law.

In addition, under a NIFTI, 20 percent of tax revenues must be reserved for affordable housing. While affordable housing is an eligible use under an EIFD, a specific set-aside of revenue for affordable housing is not required under an EIFD, the County EIFD Policy or the City EIFD Policy. The requirements for each of these programs is noted below.

| Requirement | EIFD | EIFD with NIFTI (AB 1568) | City EIFD Policy | County EIFD Policy | CRIA | Former Redevelopment Agency(CRA/LA) |
|---|---|---|---|---|---|---|
| Unit Obligation | | X | | X | | |
| Funds Set-aside | | X | | | X | X |

## Analysis

It is anticipated that most minimum requirements in the County EIFD policy could potentially be met based on parameters established in the proposed City EIFD Policy and the types of projects planned for each EIFD created throughout the City. As a baseline, the County's minimum 15 cents ($0.15) of each property tax dollar ($1.00) requirement limits the number of cities that can participate in an EIFD with the County. The City of Los Angeles meets this requirement as its share of property tax is approximately 26 cents ($0.26) for every dollar ($1.00).

Should the City decide to establish an EIFD with the County or anticipate forming a NIFTI district, the affordable requirement of private market housing development would need to be accounted for in any EIFD project planning and financial projections. It should be noted that it is uncertain how the City would enforce or monitor such a requirement. Formation of a NIFTI would only be required if the City wished to redirect its local sales and use tax revenue to an EIFD.

A mutually agreeable commitment of resources for start-up and/or on-going expenses would also need to be evaluated (as required by the County's Proposal Standards #5). To date, three other cities, West Sacramento, Otay Mesa, and La Verne, have formed Public Financing Authorities without participation of the County or any other taxing entity. These cities have designated City personnel to staff the PFA and assist with tasks associated with EIFD implementation. Cities have also hired consultants to prepare financial studies. If the City of Los Angeles were to partner with the County, the delineation of start-up and on-going expenses as well as the definition of short- and long-term roles should be memorialized.

Partnering with other participating taxing entities, including the County, has the potential to leverage significant financial resources and investment in an EIFD project area. To mitigate uncertainty and ensure mutually acceptable goals and outcomes are achieved, our Office suggests that any proposed EIFD review process allow for an extended period of planning and negotiation with the County and any other participating taxing entity before moving forward with the formation of a PFA and an EIFD.

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Analyst

Attachments:
A. EWDD Proposed Citywide EIFD Establishment Policy
B. County of Los Angeles EIFD and CRIA Policy Memorandum dated August 1, 2017
C. Amendments to EWDD Draft Citywide EIFD Policy

ATTACHMENT A

# CITY OF LOS ANGELES
# PROPOSED ENHANCED INFRASTRUCTURE FINANCE DISTRICT ("EIFD") ESTABLISHMENT AND INVESTMENT POLICY

## I. Overview

EIFDs are an economic development tool created in 2015 that allows California cities and counties to finance specified types of projects with tax increment contributed by eligible consenting taxing entities. This proposed EIFD Establishment and Investment Policy ("Policy") establishes the procedures and policies of forming an EIFD in the City of Los Angeles ("City") and committing a portion of the City's tax increment to an EIFD. This Policy focuses on the *City's* commitment of tax increment to EIFDs, but note that the City prefers that EIFDs involve multi-agency investment, as EIFDs may be most appropriate (and successful) when multiple taxing entities participate.

The primary City department responsible for implementing the Policy is the Economic and Workforce Development Department ("EWDD"). However, EWDD will actively collaborate with the Council Offices, the Mayor's Office, City Administrative Officer, Finance Department, and Chief Legislative Analyst to implement the Policy. As the lead agency, EWDD will coordinate the evaluation of EIFD formation and expenditures (investments), provide technical assistance to Council Offices and City departments, and otherwise ensure adherence to this Policy.

**Without careful planning and sound investment in projects that would otherwise not occur, forming an EIFD risks unnecessarily reducing future General Fund revenues. Accordingly, this Policy has been created in part to protect the General Fund.**

This Policy presents the following:

1. Outlines the City's preliminary assessment of whether to form a proposed EIFD;
2. Explains the City's approach to committing tax increment to an EIFD;
3. Provides an overview of EIFDs; and
4. Establishes the City's procedures and policies related to accepting and responding to requests to establish EIFDs within City boundaries.

An Appendix to the Policy provides a summary of (a) the differences between EIFD and former Redevelopment Agency ("RDA") financing, (b) current ambiguities in the legislation regarding EIFDs, and (c) Community Revitalization and Investment Authorities (CRIAs).

## II. Preliminary Assessment

Like all tax increment financing tools, EIFDs capture revenue that would have otherwise been distributed to eligible participating taxing entities. In other words, every dollar of tax increment above the base year that funds an EIFD is a dollar forfeited by consenting taxing entities. The intent of this Policy is to provide the City Council with a guide when making strategic trade-offs between General Fund revenue available for City operations and using EIFDs for highly selective public investment in catalytic projects.

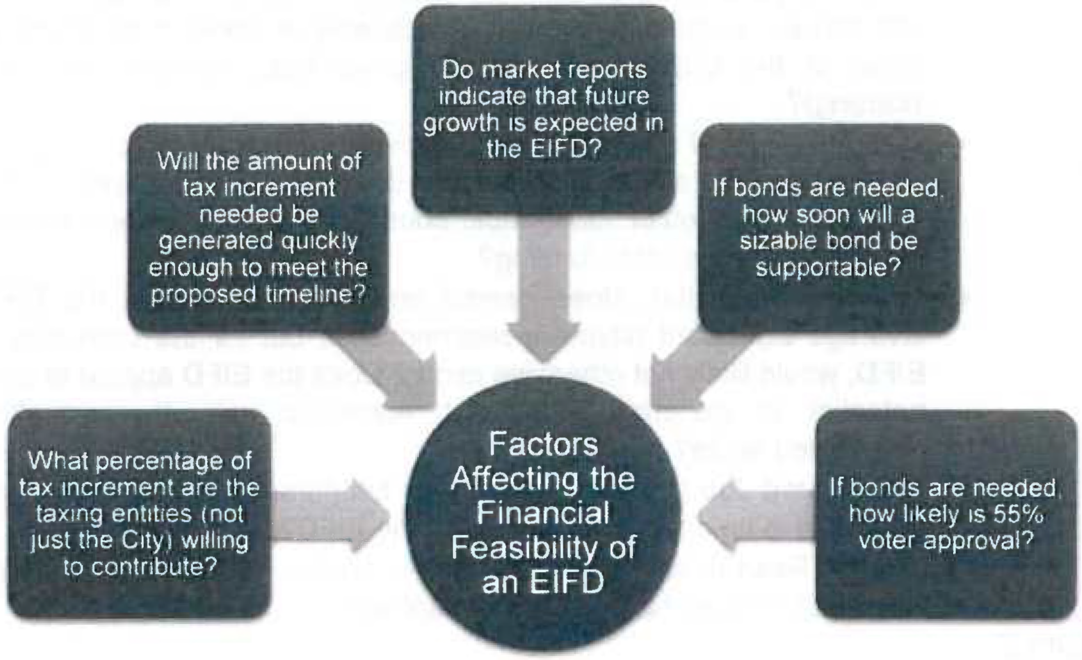
**Prior to the City proceeding with the time-intensive and costly process to form an EIFD (this process is detailed later in this Policy), EWDD staff will conduct a preliminary assessment of the proposed EIFD and advise the City Council and the Mayor of its impacts and whether it appears that forming the proposed EIFD is in the City's economic and fiscal interest.** Ultimately, the City Council and the Mayor will determine whether to proceed with forming the proposed EIFD. Should these entities determine to proceed, a comprehensive feasibility study is legally required to be completed; this analysis would be entirely separate from EWDD staff's preliminary assessment.

EWDD staff will evaluate the following factors in their preliminary assessment:

A. **Alignment with the City's Economic Development Strategy:** Do the goals proposed to be achieved by the EIFD align with the City's current economic development strategy?
B. **Alignment with the City's Fiscal Strategy:** Would the City's investment of funds in the EIFD align with the City's current fiscal strategy?
C. **Leveraging of City-Owned Property:** Would the EIFD include underutilized City-owned property that is currently underleveraged and would be better leveraged as a result of the EIFD?
D. **Greater Suitability for Other Financing Tools:** Would the area or project be better suited for funding tools other than an EIFD?
E. **Financial Feasibility:** Does it appear likely that the financial goals proposed to be achieved by the EIFD will actually be achieved?

EIFDs are a unique economic tool that generate significant tax increment only in particular instances; thus, EIFDs may have limited application in the City. For instance, as mentioned above, EIFDs may be more effective when more than one taxing entity is willing to commit tax increment. The exhibit on the next page lists five specific factors that EWDD staff will consider when preliminarily evaluating the financial feasibility of an EIFD. A Microsoft Excel model using City-specific data ("City of Los Angeles Preliminary EIFD Feasibility Test") has been developed by a third-party independent consultant and made available to EWDD to aid in assessing many of these factors (see Figure 1).

Figure 1: Potential Factors Affecting the Financial Feasibility of an EIFD




## III. The City's Approach to Committing Tax Increment to an EIFD

Generally, the maximum tax increment that the City will commit to an EIFD is the lesser of:

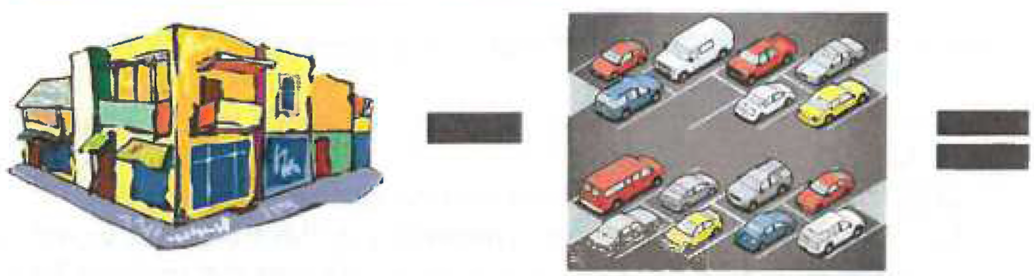
(a) 50% of its share of tax increment generated in the EIFD, or
(b) The portion of tax increment generated in the EIFD that would not have occurred but for the formation of the EIFD, less the costs of forming and operating the EIFD.

The 50% limit ensures that at least half of the City's share of tax increment above the base generated within a EIFD accrues to the City's General Fund, where it is available for the provision of public services both within the EIFD and other areas in the City.

The exact percentage to be committed to the EIFD will be determined by the City Council, in consultation with the Mayor's Office, the Office of the City Administrative Officer, the Office of the Chief Legislative Analyst, and EWDD. In some cases, the City Council may elect to contribute more than 50% of the City's share of tax increment generated in the EIFD. The following factors should be considered when determining the exact percentage to be committed to the EIFD:

- **Return on Investment:** Does it appear that the City's contribution to the EIFD will yield either a return on investment commensurate with present-day private sector investment or quantifiable progress in achieving one or more of the City's mission-driven goals (e.g., creation of affordable housing)?
- **Maximization of Private Funds:** Would tax increment generated by an EIFD truly serve as gap financing for the proposed development(s) in the EIFD? Have all other reasonable sources of financing been exhausted? How secure is the other funding?
- **Catalytic Potential:** Does careful analysis indicate that the EIFD will leverage significant private investment that, but for the formation of the EIFD, would likely not otherwise occur? Does the EIFD appear to have the potential to generate significant economic spin-off, particularly in disinvested areas?
- **Anticipated Job Creation:** How many temporary and permanent jobs are estimated to be created as a result of the EIFD?
- **Project Readiness:** How soon is the project expected be developed? What major issues have yet to be resolved?

Figure 2:



TAX INCREMENT ON DEVELOPMENT THAT OCCURS AFTER EIFD FORMATION

TAX INCREMENT ON DEVELOPMENT THAT WOULD HAVE OCCURRED/REMAINED WITHOUT THE EIFD

**TAX INCREMENT THAT WOULD NOT HAVE OCCURRED BUT FOR THE FORMATION OF THE EIFD**

*The City recognizes that without the formation of an EIFD, the parcels in a proposed EIFD area would still generate revenue to the City. Thus, the City generally will not contribute tax increment to an EIFD in an amount that exceeds what would not have occurred, but for the formation of the EIFD.*

## IV. Overview of EIFDs

EIFDs were created by Senate Bill 628, which is codified in California Government Code ("Government Code") Section 53398.50 through 53398.88 and took effect on January 1, 2015. The legislation was amended in 2015 by Assembly Bill 313 and Senate Bill 63.

Cities and counties may create one or more EIFDs, each of which functions as a legally constituted governmental entity separate and distinct from the city or county that established it, pursuant to Government Code Section 53398.51(f). EIFD boundaries may include non-contiguous areas, and may either encompass the parcels of a specific development project (referred to herein as a "project-based EIFD") or a broader area (referred to herein as an "area-based EIFD"). EIFDs use tax increment contributed by consenting taxing entities to implement an infrastructure financing plan within a defined area to construct, improve, and/or rehabilitate specified types of projects with community-wide benefits. School districts may not participate.

A summary of five key components of EIFDs is provided below.

• **Established without voter approval, although the issuance of bonds requires 55% voter approval** among voters within the EIFD (unless less than 12 people are registered to vote in the District, in which case the vote is by landowners within the District, and each landowner has one vote for each acre or portion of an acre of land owned; a public agency is not considered a landowner unless it owns 100% of land in the EIFD).

• **May finance specified types of public infrastructure facilities and private facilities** (detail is provided in the next section).

• **Funded by property tax increment pledged by consenting taxing agencies** (no pass-through payments or set-asides are deducted; education districts may not consent; tax increment is available for up to 45 years from the date of approval of the first bond issuance or a public loan).

• **May be funded by additional sources**, including private sector partners, property tax allocations distributed to cities and counties in lieu of Vehicle License Fees (VLF), property tax revenue distributed to taxing entities after payment of successor agency debts, assessment or fee revenues, and loans from a city, county, or special district.

• **Governed by a board known as a "Public Financing Authority,"** which includes a majority of members of the legislative body of the participating taxing entities and two or more members of the public chosen by the legislative body of the participating taxing entities.

*Infrastructure Financing Plan*

Among other information, the infrastructure financing plan that guides the Public Financing Authority's implementation of each EIFD must include a detailed description of the development or financial assistance that is proposed in the EIFD, a limit on the total number of tax dollars that may be allocated to the EIFD, and a date on which the EIFD will cease to exist and all tax allocation to the EIFD will end. The plan is prepared by the city/county engineer or another appropriate official designated by the city or county's legislative body. Once drafted, the following must occur before it is adopted by the legislative body:

1. The plan must be sent to each landowner in the proposed EIFD, each affected taxing entity, the planning commission, and the legislative body.
2. The official who prepared the plan must consult with each affected taxing entity and meet with representatives of any affected taxing entity that desires such a meeting; any affected taxing entity must be able to suggest revisions.
3. The legislative body must conduct a public hearing, for which specific public notices must be issued.
4. The governing body of each affected taxing entity committing tax increment must adopt a resolution approving the plan.

*Use of EIFD Funds*

Pursuant to Government Code Section 53398.52(b), EIFDs may only finance public capital facilities or other projects of communitywide significance that provide significant benefits to the district or surrounding community, <u>including but not limited to</u>:

- Highways, interchanges, ramps and bridges, and arterial streets
- Parking and transit facilities
- Sewage treatment and water reclamation plants and interceptor pipes
- Water collection/treatment facilities for urban uses
- Flood control levees and dams, retention basins, and drainage channels
- Child care facilities
- Libraries
- Parks, recreational facilities, open space

- Waste transfer and disposal facilities, including transfer stations and vehicles
- Brownfield restoration and other environmental mitigation
- Former military base reuse projects (or payment/transfer of funds to military base reuse authority)
- Industrial buildings (acquisition, development or repair)
- Transit priority projects
- Rental or for-sale affordable housing (acquisition, construction, or rehabilitation)
- Projects implementing a Sustainable Communities Strategy or alternative greenhouse gas emission reduction strategy
- Port or harbor infrastructure

Pursuant to Government Code Section 53398.52, EIFDs may finance any of the following:

- Purchase, construction, expansion, improvement, seismic retrofit, or rehabilitation of any real or other tangible property with an estimated useful life of 15 years or longer, provided that the property is a public capital facility or other project of communitywide significance that provides significant benefits to the district or surrounding community
- Planning and design work directly related to the purchase, construction, expansion, or rehabilitation of property
- Costs related to the replacement of any dwelling units removed or destroyed in the course of private development or public works construction within the EIFD
- Costs related to any action or proceeding to attack, review, set aside, void, or annul the creation of an EIFD, adoption of an infrastructure financing plan, or an election related to the EIFD

EIFDs may finance facilities physically located outside of the EIFD, provided that the facilities have a tangible connection to the work of the EIFD. EIFDs may not finance routine maintenance, repair work, or the costs of an ongoing operation or providing services of any kind.

*Forming an EIFD*

Completing the multi-step process of creating an EIFD in the City of Los Angeles may take as long as two years and cost as much as $500,000 (exclusive of bond issuance costs). Table 1 summarizes the key activities that must be performed by City and County staff, consultants, legal counsel, and the Public Financing

Authority prior to EIFD formation. Appendix A shows a prototypical schedule of forming an EIFD in the City; the schedule sequentially provides details regarding required meetings, reporting, and public noticing. Note that cities and counties that previously created a redevelopment agency may form an EIFD only after:

1. The successor agency receives a "Finding of Completion" from the State Department of Finance ("DOF");
2. The city/county certifies to DOF that there are no former RDA assets under litigation that would benefit from an EIFD; and
3. The city/county has complied with the State Controller's asset transfer review.

At the time of the writing of this Policy, the City meets each of these three requirements.

## TABLE 1: Primary EIFD Formation Activities[1]

| 1. PRELIMINARY ACTIVITIES |
|---|
| **Staff/Consultant Activities** |
| • Conduct Feasibility Analysis |
| • Assemble and Consult with Bond Team |
| • Consult Taxing Entities and Coordinate Public Financing Authority ("Authority") Membership |
| • Identify Registered Voters/Landowners and Coordinate Election Procedures (only if Authority plans to issue bonds or levy special assessments/fees) |
| • Draft Resolution of Intention, Resolution Forming Authority, Operational Documents, Relocation and Replacement Plan (if applicable), and Statement of Preparation |
| • Prepare Legal Description and Map |
| • Finalize List of Projects/Goals, Financial Projections, and Financing Plan |
| **Legal Counsel Activities** |
| • Draft Authority Formation Documents, Letter Regarding Conflict Law, and City/Authority Cooperation Agreement |
| **City Clerk Activities** |
| • Mail Resolution of Intention to Landowners, Taxing Entities, and the Authority |
| **Public Financing Authority Activities** |
| • Approve Operational Documents |

| 2. REPORTS & PUBLIC NOTICING |
|---|
| **Staff/Consultant Activities** |
| • Draft and Transmit Notice of Preparation and Receive Comments |
| • File Notice of Completion and Receive Comments |
| • Draft and Circulate 1st and 2nd Administrative Draft Infrastructure Financing Plans and Receive Comments |
| • Draft and Circulate Administrative Draft EIR, Draft EIR, Administrative Draft Final EIR and MMRP, and Final EIR and Receive Comments |
| • Prepare for and Hold EIR Scoping Meeting, 1st Community Workshop, and Community Information Meeting (preparation includes public noticing and preparing meeting materials) |
| • Prepare for Public Hearing (including public noticing and drafting meeting materials) |
| • Meet with Affected Taxing Entities upon Request |
| **Legal Counsel Activities** |
| • Determine Type of EIR Required |
| **City Clerk Activities** |
| • Prepare Public Hearing Materials |
| **Public Financing Authority Activities** |
| • Conduct Public Hearing and Consider Approval of EIFD Adoption |

| 3. BOND ISSUANCE (if applicable) |
|---|
| **Staff/Consultant Activities** |
| • Mail Resolution of Bond Issuance to County Registrar-Recorder/County Clerk |
| • Mail Proposal to Issue Bonds to Voters |
| • Coordinate Election with County Registrar-Recorder/County Clerk |
| **City Clerk Activities** |
| • Publish Resolution of Intent to Issue Bonds |
| **County Registrar-Recorder/County Clerk Activities** |
| • Administer General Election or Special Election by Mail-in Ballot |
| **Public Financing Authority Activities** |
| • Adopt Resolution Initiating Proceedings to Issue Bonds (if voters approve issuance) |

[1] EWDD is responsible for the overall management of forming the City's EIFDs, but would seek assistance from other City departments as appropriate.

*EIFD Operational Costs*

Once created, an EIFD requires administration, including accounting, auditing, and coordination among multiple City departments. The amount of administrative costs per EIFD could vary widely based on the number of operational EIFDs in the City and whether the administration is done by existing City staff, a new governmental entity created specifically to manage the City's EIFDs, consultants, or some combination of these options. City-specific policies (some of which may not yet be formed) would also affect administrative costs. For example, the City could require that staff in the Office of the City Administrative Officer serve as support staff to the City's designated members of each EIFD's Public Financing Authority, if not members of the Public Financing Authority themselves.

California Government Code Section 53398.76 specifies that EIFDs must bear all costs incurred by a county in relation to the division of taxes levied upon taxable property within an EIFD. Additionally, Government Code Section 53398.69(c) allows EIFDs to expend up to 10% of any accrued tax increment in the first two years of the district's existence on planning and dissemination of information to residents in the EIFD about the infrastructure financing plan and planned activities to be funded by the EIFD. The law does not specify whether other administrative costs must be borne by the EIFD, the City, some or all of the taxing entities consenting to contribute tax increment to the EIFD, or some combination of these options.

## V. Accepting and Responding to Requests to Establish EIFDs in the City

The City's process for determining whether to proceed with forming a proposed EIFD is as follows:

1. EWDD, the Mayor's Office, or a City Council Office submits an EIFD Preliminary Assessment Request Form to EWDD to conduct a preliminary assessment of a proposed EIFD via e-mail.
2. EWDD staff conducts a <u>preliminary</u> assessment of the proposed EIFD; this assessment is detailed above in Section II.
3. Based on the EWDD staff's preliminary assessment, EWDD reports to City Council on whether it appears that forming the proposed EIFD is in the City's economic and fiscal interest.
4. City Council either (a) determines not to proceed with forming the proposed EIFD or (b) approves a motion to conduct a comprehensive feasibility study of the proposed EIFD, which is a legally required step in forming an EIFD. Should the City Council approve a motion to conduct a comprehensive feasibility study, the motion must include a

description of the approximate boundaries of the proposed EIFD, as well as the goals to be achieved.

5. EWDD staff and/or consultants complete a comprehensive feasibility study of the proposed EIFD.
6. Based on the conclusions of the comprehensive feasibility study, the City Council and the Mayor determine whether to proceed with forming the proposed EIFD.

*Accepting Requests to Establish EIFDs in the City*

The following information is required to be included in the request to initiate EWDD staff's preliminary assessment of a proposed EIFD (Step 1 above):

**REQUIRED CONTENTS OF REQUEST TO INITIATE CITY STAFF REVIEW OF A PROPOSED EIFD**

1. Map of area(s) to be included in the EIFD, with boundaries clearly marked.

2. Statement regarding the need for the EIFD and the goals proposed to be achieved by the EIFD.

3. Description of the type of development proposed to be assisted by the EIFD and an estimate of the total costs and timing of these improvements (keeping in mind that the EIFD will begin generating tax increment about one full year after EIFD formation).

4. Statement regarding the percentage of City, County, and/or other taxing entities' share of tax increment proposed to be committed to the EIFD and a summary of any communications with those taxing entities concerning their willingness to contribute, (keeping in mind that: (a) education districts may not contribute from their share of tax increment, (b) the percentage of taxing entities' share of tax increment need not be the same for all taxing entities and the percentage may change over time, (c) unless the City Council specifies otherwise, the City will not contribute more than the lesser of 50% of its share of tax increment or the portion of tax increment generated in the EIFD that would not have occurred but for the formation of the EIFD, less the costs of forming and operating the EIFD, and (d) taxing entities other than the City may not be willing to contribute from their share of tax increment).

5. Statement regarding the anticipated sources and amounts of EIFD funding in addition to tax increment.

6. Statement regarding whether a bond issuance will be sought (bond issuance requires 55% voter approval among voters/landowners within the EIFD; see Page 5 for detail).

7. Statement regarding the party or parties proposed to bear the formation and operational costs of the EIFD.

8. For project-specific EIFDs only: Estimate of the number of jobs created as a result of the new private development expected in the EIFD, broken down by full-time, part-time, and temporary positions.

*Responding to Requests to Establish EIFDs in the City*

Within 120 days of receiving all of the required information detailed above at the e-mail address provided above, EWDD will report to the City Council with its recommendation on whether to proceed with the formation of the EIFD.

Note that proceeding with any steps of forming of an EIFD does not guarantee that the EIFD will ultimately be created, as this is dependent on a variety of factors, including the results of the comprehensive feasibility study required by law.

*Ambiguities in the Law*

As mentioned above, EIFDs were created by law in 2015. At the time of the writing of this Policy, no EIFDs have been formed in California. The law is still ambiguous in several respects, including the following:

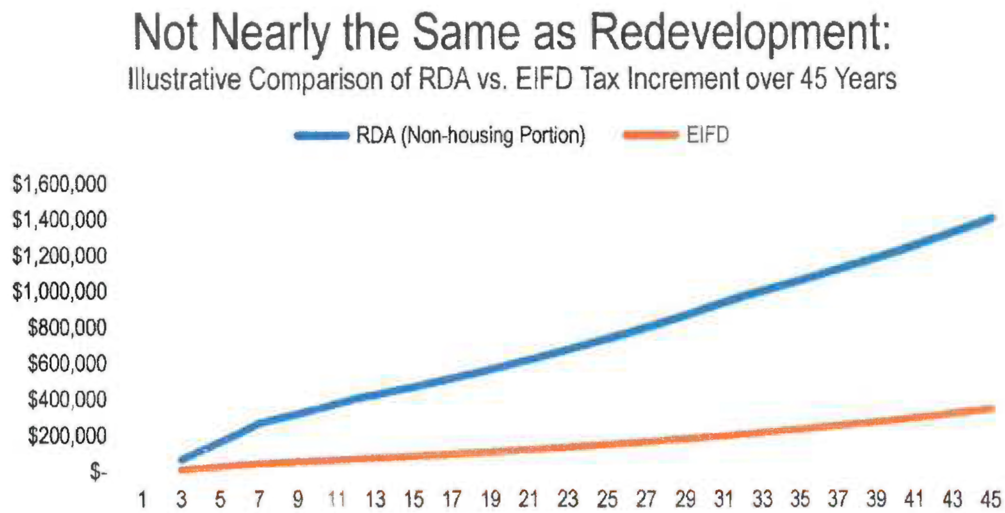
- Whether and how taxing entities may amend or rescind their contribution of tax increment to an EIFD after previously committing a portion or all of their share of tax increment to the EIFD;
- Whether the city/county that formed an EIFD may elect to bear some or all costs of forming an EIFD;
- Whether an EIFD may exist in perpetuity if bonds are never issued; and
- Whether and how infrastructure financing plans may be amended after formation of an EIFD.

Future legislation may clarify these and other ambiguities, in which case this Policy may be amended.

## APPENDIX

*EIFD vs. RDA Financing*

EIFDs provide cities and counties a much-needed tax increment financing tool following the elimination of California's 400 redevelopment agencies in February 2012. Still, it is imperative to note that an EIFD is not likely to generate nearly as much tax increment as a redevelopment project area with identical boundaries would have. Before dissolution, redevelopment was a commonly used economic development tool that diverted property tax increment in a particular community from all taxing entities to a wide variety of projects in that community. In contrast, EIFDs divert property tax increment from only consenting taxing agencies, and education districts are not permitted to consent. Below is a sample comparison of tax increment generated over 45 years by a RDA and an EIFD with the same geographic boundaries.[2] As the graph illustrates, by design, EIFDs yield significantly less tax increment than the former RDAs.




[2] Both scenarios assume a $100 million base year value, 3% annual assessed valuation growth, and $5 million of new private development value in Years 3 - 7. The RDA scenario nets out statutory pass-through payments and a County administration fee, which is estimated as 1.5% of gross tax increment. The EIFD scenario does not net out any administrative costs and assumes that the only contributing taxing entity is the City, which was assumed to contribute 100% of its 10% property tax share.

*Community Revitalization and Investment Authorities (CRIAs)*

Another relatively new tax increment financing tool is a Community Revitalization and Investment Authority (CRIA), which differs from an EIFD in several ways, including the following:

- Requires that 80% of the area meet certain demographic criteria and include deteriorating infrastructure or buildings;
- May be used to finance more types of economic development projects;
- Requires that 25% of revenues be set aside to fund affordable housing;
- Allows taxing entities that consented to contribute tax increment to reverse their commitment of funds at any time, unless the funds are pledged to repay bonds;
- Does not require voter approval to issue bonds;
- Grants eminent domain authority in instances unrelated to environmental remediation; and
- Requires more public reporting.

ATTACHMENT B

SACHI A. HAMAI
Chief Executive Officer

County of Los Angeles
**CHIEF EXECUTIVE OFFICE**

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
http://ceo.lacounty.gov

*"To Enrich Lives Through Effective And Caring Service"*



August 01, 2017

**ADOPTED**
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

26 August 1, 2017

Lori Glasgow
LORI GLASGOW
EXECUTIVE OFFICER

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF BOARD POLICY FOR EVALUATING ENHANCED INFRASTRUCTURE FINANCING DISTRICT AND COMMUNITY REVITALIZATION AND INVESTMENT AUTHORITY PROJECTS**
**(ALL DISTRICTS)**
**(3 VOTES)**

## SUBJECT

The Chief Executive Officer recommends approval of a new Board of Supervisors policy establishing evaluation criteria for proposed Enhanced Infrastructure Financing District and Community Revitalization and Investment Authority projects.

## IT IS RECOMMENDED THAT THE BOARD:

Approve the attached Board of Supervisors policy (Board Policy) entitled, Evaluating Enhanced Infrastructure Financing District (EIFD) and Community Revitalization and Investment Authority (CRIA) Projects.

## PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On September 29, 2014, the Governor approved Senate Bill 628, which authorized the formation of an EIFD, and on September 22, 2015, approved Assembly Bill 2, which authorized the formation of a CRIA. EIFDs and CRIAs are limited tax increment financing districts created after the dissolution of redevelopment agencies in early 2012. The County's participation in any such district is voluntary and would require approval of the Board.

Because the County would be a principal contributor of property tax revenue to any EIFD or CRIA, it is expected that many cities within the County may request that the Board of Supervisors (Board) consider participating in an EIFD or CRIA within that city's boundaries. The Board Policy described herein will ensure that the County performs the necessary due diligence prior to any decision whether to participate in an EIFD or CRIA. The Board policy will ensure that no EIFD or CRIA is presented to the Board without first determining that it provides a positive fiscal impact to the County, and is consistent with established Board priorities. Any departure from the Board Policy would need to be justified by overriding considerations related to the merit of the EIFD or CRIA proposal.

The Chief Executive Office (CEO) developed the Board Policy in cooperation with the Economic Development Policy Committee (Policy Committee), which includes representation from each of the five Board Offices. The Policy Committee approved its final content at a meeting on March 23, 2017. The Board Policy was then presented to the Audit Committee and approved by this body on May 18, 2017. The Audit Committee is also managed by representatives from each of the five Board Offices.

## FISCAL IMPACT/FINANCING

There will be no fiscal impact to the County resulting from the approval of the proposed Board Policy. There would only be a fiscal impact if the Board were to approve an EIFD or CRIA, and the Policy mandates a very comprehensive review process prior to any recommendations being made to the Board. Furthermore, the Policy contains provisions such that the County may request reimbursement from a proposing city should there be costs associated with the County's review of any EIFD or CRIA proposal.

As part of the Board Policy, the CEO has established specific criteria that will mitigate any financial or budgetary risk to the County. Such criteria include: 1) CEO fiscal analysis demonstrating a positive net impact to the County General Fund; 2) a "But for..." analysis that evaluates whether the County's participation is a necessary pre-condition for the infrastructure projects to be undertaken; 3) a requirement that a city's contribution of property tax in the project must be equal to or greater than the County's contribution; and 4) a requirement that the County cannot contribute 100 percent of its share of property tax. Each of these requirements is intended to protect the County General Fund in the event that an EIFD or CRIA were not to meet its original property tax growth projections.

## FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Both EIFDs and CRIAs were designed to function as tax increment financing districts, which would allow a governmental authority to secure a portion of property tax revenue for the construction of public infrastructure and other capital needs. The structure of these districts would be such that property tax revenue growth above a certain base year would accrue to the benefit of a newly-formed administrative body rather than to the local taxing entities. A key difference between EIFDs and the former redevelopment agencies, however, is that the tax increment given to the new district excludes all property tax associated with school districts, which under redevelopment was backfilled and paid for by the State of California (State). The result is that approximately 50 percent of all property tax increment in any district is not available to the EIFD or CRIA. The largest potential source of property tax increment would no longer be the State, but would instead be the County.

Since the time of their authorization in 2015, there has been only limited interest across the State in forming an EIFD or CRIA. The apparent reason for the lack of progress in EIFD and CRIA formation is that there is not sufficient tax increment to be generated in the absence of State property tax contributions. Local taxing entities forming an EIFD or CRIA can no longer leverage State property tax funding and, therefore, require significantly greater property tax growth to become financially viable. The fiscal analysis included in the Board Policy is designed to ensure that all parties participating in an EIFD or CRIA provide a meaningful property tax contribution to the proposed project. For example, cities that don't contribute a share of property tax equal to at least 15 cents ($0.15) for every dollar ($1.00) of tax increment will only be eligible if there are significant overriding considerations that merit their review and assessment.

Formation process

According to Section 53398.68(a) of the California Government Code, the County, as an affected taxing entity must approve any contribution of property taxes to the proposed EIFD project by a resolution of the Board of Supervisors. Government Code Section 62005(d) similarly requires all taxing entities to adopt a resolution to participate in the proposed CRIA plan, although the resolution may be adopted after the plan is approved by the city. The CEO will conduct its review of any EIFD or CRIA proposal in advance of presenting a resolution to the Board for its consideration.

## IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no anticipated impact on current services or projects.

## CONCLUSION

Upon approval of the recommended policy, please provide an adopted copy to the Chief Executive Office, Economic Development/Affordable Housing Unit, Room 754 of the Kenneth Hahn Hall of Administration.

Respectfully submitted,

Sachi A. Hamai

SACHI A. HAMAI
Chief Executive Officer

SAH:JJ:DSB
RM:acn

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Economic Development Policy Committee

Los Angeles County
# BOARD OF SUPERVISORS POLICY MANUAL

| Policy #: | Title: | Effective Date: |
|---|---|---|
| 0.000 | **Evaluating Enhanced Infrastructure Financing District (EIFD) and Community Revitalization and Investment Authority (CRIA) Projects** | 00/00/00 |

## PURPOSE

Establishes a County policy that defines the role of the Chief Executive Officer (CEO), in conjunction with County Counsel and Auditor-Controller, in evaluating Enhanced Infrastructure Financing District (EIFD) and Community Revitalization and Investment Authority (CRIA) proposals from cities within the County. The proposals from cities should be consistent with the economic development goals of the County, as established by the Economic Development Policy Committee. These goals include measurable gains in job creation, private investment in the community, expansion of the tax base, and enhanced opportunities for disadvantaged, target populations.

EIFDs and CRIAs were signed into State law to provide cities and counties with a limited form of property tax increment financing to assist with the funding of infrastructure and development projects after the dissolution of redevelopment agencies in 2012.

## REFERENCE

October 20, 2015 Board motion by Supervisors Mark Ridley-Thomas and Hilda L. Solis.

## EIFD POLICY

On September 29, 2014, the Governor approved Senate Bill 628, which authorized the formation of an EIFD. The following policies are to guide the County's review and response to proposals for the County to participate in EIFD projects. The purpose of the policy is to protect the County's interests, and provide policy guidance to the CEO when evaluating EIFD proposals from cities. All correspondence with cities, and any Board communications concerning EIFDs, must cite and be consistent with these policies. Any departure from these policies must be justified by significant overriding considerations.

**Minimum Requirements:**

1. The City's share of property tax increment must equal a minimum of 15 cents ($0.15) for every dollar ($1.00) captured in the EIFD Project Area.

2. The City's contribution of property tax increment must at least equal that contributed by the County General Fund and its special districts. Examples of County special districts include the Fire District, Flood Control District, and Library Fund.

3. The County must not be required to contribute 100 percent of its property tax increment.

4. The Fiscal Analysis conducted by the CEO must demonstrate a positive net impact to the County General Fund as a result of the tax revenue generated from the Project Area.

5. In addition to supporting economic development, the proposed EIFD Project must align with established Board priorities in one or more of the following areas: 1) affordable housing; 2) homeless prevention; 3) workforce development; or 4) sustainability.

6. Any rental housing proposed for the EIFD must allocate a minimum of 20 percent of all units for affordable housing. In certain circumstances, this requirement may be satisfied through payment of an in-lieu fee, or through provision of an equivalent number of affordable housing units at a separate location in proximity to the economic development site.

7. The EIFD proposal must be consistent with Division 2 of Title 5 of the California Government Code (Section 53398.5 - 53398.58), which authorizes the formation of EIFDs.

**Fiscal Analysis:**

1. Each EIFD proposal shall be subject to a fiscal analysis that will determine the expected financial impact to the County General Fund and any special districts that may contribute a portion of their tax increment share. Where appropriate, the County may require reimbursement from the proposing entity for the cost of conducting the fiscal analysis.

2. The fiscal analysis shall review the following:
    a. Anticipated growth in assessed value absent any new development;
    b. Expected new development in terms of retail square footage, business park square footage, office space, apartment units, condominium units, housing units, hotel units, and parking spaces;
    c. Tax increment generated as a result of each new development opportunity associated with the EIFD;

d. Tax increment contributions from each participating agency;
e. Scenario analysis based on differing contributions from each County taxing entity;
f. Property tax revenue resulting to each taxing entity based on new development and growth in assessed value; and
g. Sales and transient occupancy tax revenues resulting to the City and County.

3. The resulting fiscal analysis must demonstrate a positive net impact to the County General Fund based on the anticipated tax revenue. This analysis shall include a comparison of the increased amount of property and sales taxes to the County generated by the project with the amount of property taxes contributed to the EIFD.

4. A sensitivity analysis shall be conducted to evaluate the risk associated with tax forecasts based on various economic scenarios that might impact the amount of actual development realized in the EIFD.

**Proposal Standards:**

1. Any EIFD proposal from a city must initially be directed to the Economic Development Unit of the CEO for review.

2. All EIFD proposals must demonstrate regional and community significance in areas that may include job creation, affordable housing, blight removal, sustainability measures, or improvements to regional transportation.

3. Project feasibility analysis must include a "But for..." review that evaluates whether the contribution of County property tax increment is a necessary pre-condition for the infrastructure and development projects being considered.

4. Cost estimates for all infrastructure to be funded by the EIFD must be provided. A cap on County contributions should be established related to the list of infrastructure projects to be completed. Additionally, a plan for funding the anticipated operations and maintenance costs for the proposed infrastructure must be given.

5. A plan to fund the administrative costs of the EIFD in the start-up and early years of the project should be presented.

6. A schedule of bond issuance, and an estimated amount of bond proceeds, must be provided in relation to any debt to be secured by EIFD tax increment.

7. If the proposed EIFD is within a former redevelopment project area, the amount of residual revenue from the redevelopment successor agency must be evaluated in relation to the projected amount of tax increment.

8. Job creation must be projected, including for local and targeted workers as identified in the County's Local and Targeted Worker Hire Policy.

9. Opportunities for affordable housing, including permanent supportive housing, must be referenced - even if not included in the recommended plan for the proposed Project Area.

10. Any potential impact to adjacent unincorporated areas must be identified and evaluated.

## CRIA POLICY

On September 22, 2015, the Governor approved Assembly Bill 2, which authorized the formation of a CRIA. The following policies are to guide the County's review and response to proposals for the County to participate in CRIA projects. The purpose of the policy is to protect the County's interests, and provide policy guidance to the CEO when evaluating CRIA proposals from cities. All correspondence with cities, and any Board communications concerning CRIAs, must cite and be consistent with these policies. Any departure from these policies must be justified by significant overriding considerations.

**Minimum Requirements:**

1. The City share of property tax increment must equal a minimum of 15 cents ($0.15) for every dollar ($1.00) captured in the CRIA Project Area.

2. The City contribution of property tax increment must at least equal that contributed by the County General Fund and its special districts. Examples of County special districts include the Fire District, Flood Control District, and Library Fund.

3. The County must not be required to contribute 100 percent of its property tax increment.

4. The Fiscal Analysis conducted by the CEO must demonstrate a positive net impact to the County General Fund as a result of the tax revenue generated from the Project Area.

5. The proposed CRIA must conform to the statutory requirement that 25 percent of the property taxes generated by the CRIA must be set aside for Low and Moderate Income Housing.

6. Any rental housing proposed for the CRIA must allocate a minimum of 20 percent of all units for affordable housing.

7. The CRIA proposal must be consistent with Division 4 of Title 6 of the California Government Code (Section 62000 – 62208), which authorizes the formation of CRIAs.

**Fiscal Analysis:**

1. Each CRIA proposal shall be subject to a fiscal analysis that will determine the expected financial impact to the County General Fund and any special districts that may contribute a portion of their tax increment share. Where appropriate, the County may require reimbursement from the proposing entity for the cost of conducting the fiscal analysis.

2. The fiscal analysis shall review the following:

    a. Anticipated growth in assessed value absent in any new development;
    b. Expected new development in terms of retail square footage, business park square footage, office space, apartment units, condominium units, housing units, hotel units, and parking spaces;
    c. Tax increment generated as a result of each new development opportunity associated with the CRIA;
    d. Tax increment contributions from each participating agency;
    e. Scenario analysis based on differing contributions from each County taxing entity;
    f. Property tax revenue resulting to each taxing entity based on new development and growth in assessed value; and
    g. Sales and transient occupancy tax revenues resulting to the City and County.

3. The resulting fiscal analysis must demonstrate a positive net impact to the County General Fund based on the anticipated tax revenue. This analysis shall include a comparison of the increased amount of property and sales taxes to the County generated by the project with the amount of property taxes contributed to the CRIA.

4. A sensitivity analysis shall be conducted to evaluate the risk associated with tax forecasts based on various economic scenarios that might impact the amount of actual development realized in the CRIA.

**Proposal Standards:**

1. Any CRIA proposal from a City must initially be directed to the Economic Development Unit of the CEO for review.

2. All CRIA proposals should clearly identify the required blight conditions in Government Code Section 62001 (d) or (e).

3. All CRIA proposals must demonstrate regional and community significance in areas that may include job creation, affordable housing, blight removal, sustainability measures, or improvements to regional transportation.

4. Project feasibility analysis must include a "But for..." review that evaluates whether the contribution of County property tax increment is a necessary pre-condition for the infrastructure and development projects being considered.

5. A plan to fund the administrative costs of the CRIA in the start-up and early years of the project should be presented.

6. A schedule of bond issuance, and an estimated amount of bond proceeds, must be provided in relation to any debt to be secured by CRIA tax increment.

7. Proposals must address a possible cap on the annual or lifetime contribution of tax increment from the County.

8. If the proposed CRIA is within a former redevelopment project area, the amount of residual revenue from the redevelopment successor agency must be evaluated in relation to the projected amount of tax increment.

9. Job creation must be projected, including for local and targeted workers as identified in the County's Local and Targeted Worker Hire Policy.

10. Any potential impact to adjacent unincorporated areas must be identified and evaluated.

## RESPONSIBLE DEPARTMENT

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Chief Executive Office

## DATE ISSUED/SUNSET DATE

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**Issue Date:** **Sunset Date:**

**Amendments to EWDD Draft Citywide EIFD Policy**

Section III

*Current*
The exact percentage to be committed to the EIFD will be determined by the City Council, in consultation with the Mayor's Office, the office of the City Administrative Officer, the Office of the Chief Legislative Analyst, and EWDD. In some cases the City Council may elect to contribute more than 50 % of the City's share of tax increment generated in the EIFD.

*Recommended*
The proposed percentage to be committed to the EIFD should be stated in the initial Council Motion to study an EIFD pursuant to Section V. During the negotiation process with any participating taxing entity, EWDD will consult with the respective Council Office(s), the Mayor's Office, City Administrative Officer, and the Office of the Chief Legislative Analyst.

In some cases, the City Council may elect to contribute more than 50 percent of the City's share of tax increment generated in the EIFD.

In all cases, the exact percentage will be determined by the City Council, subject to Mayor approval. Any proposal to contribute an amount above 50 percent should include, at minimum, two scenarios with the contribution: (1) at 50 percent; and (2) at the proposed greater percentage with any findings to justify the contribution.

Should a NIFTI be considered as potential revenue for the EIFD, the proposal shall also include a NIFTI scenario with the contribution: (1) at 50 percent; and (2) at a proposed greater percentage with any findings to justify the contribution. This would ensure that a waiver from this policy be thoroughly assessed and reviewed at multiple levels.

Section V
*Current*
The City's process for determining whether to proceed with forming a proposed EIFD is as follows:

1.EWDD, the Mayor's Office, or a City Council office submits an EIFD Preliminary Assessment Request Form to EWDD to conduct a preliminary assessment of a proposed EIFD via e-mail.

*Recommended*
The City's process for determining whether to proceed with forming a proposed EIFD is as follows:

1. A Council Motion instructing EWDD to conduct a preliminary assessment of a proposed EIFD must be introduced and adopted by the City Council.