

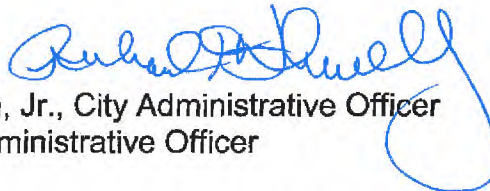
CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

C.F. 18-0334

Date: March 15, 2019

To: City Council

From: Richard H. Llewellyn, Jr., City Administrative Officer
Office of the City Administrative Officer



Subject: **TRANSMITTAL - ECONOMIC AND WORKFORCE DEVELOPMENT DEPARTMENT REQUEST FOR APPROVAL TO UTILIZE A \$370,000 GRANT FOR THE LOS ANGELES COUNTY METROPOLITAN AUTHORITY/TRANSIT ORIENTED DEVELOPMENT PLANNING GRANT/DOWNTOWN ENHANCED INFRASTRUCTURE FINANCING DISTRICT PROJECT**

RECOMMENDATION

Our Office has reviewed the attached report from the Economic and Workforce Development Department (EWDD) and concur with the recommendations in the report.

SUMMARY

On July 3, 2018, Council considered a report from EWDD and authorized the department to accept the Los Angeles County Metropolitan Authority Transit Oriented Development (TOD) Planning Grant award of \$370,000 for a feasibility study and other tasks associated with the formation of a Downtown Enhanced Infrastructure Financing District (EIFD). The Council instructed EWDD to report back with a work plan and budget for use of the funds. Through its work plan, EWDD will examine areas around transit stations to determine how the City may finance transit-supporting infrastructure, affordable housing and other community development goals. The study area includes the Los Angeles River; the 110, 101 and 10 freeways; and 1st, 2nd and 3rd Streets to the North. Council District 14 worked with various departments to submit a TOD Planning Grant application for an EIFD feasibility study to evaluate infrastructure improvements in the Downtown area. The total budget for the project is \$423,000 and include the \$370,000 in grant monies and \$53,000 in-kind City match. EWDD will use existing staff to work on the study. It is anticipated that the work will be completed by the first quarter of FY 2020-21.

FISCAL IMPACT

The total project budget is \$423,000, and includes the \$370,000 grant award along with an in kind match of \$53,000 required from the City, which will be absorbed by EWDD's budget. There will be no additional impact to the General Fund beyond the \$53,000, and EWDD will use existing staff to complete the work.

Attachment: 1) January 10, 2019 EWDD Report to Economic Development Committee (CF 18-0334)

CITY OF LOS ANGELES

CALIFORNIA

JOHN L. REAMER, JR.
INTERIM GENERAL MANAGER



ERIC GARCETTI
MAYOR

ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT

1200 W. 7TH STREET
LOS ANGELES, CA 90017

January 10, 2019

Council File: 18-0334
Council District: All
Contact Persons & Phone Numbers:
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Economic Development Committee
Los Angeles City Council
c/o City Clerk
Room 395, City Hall

**COMMITTEE TRANSMITTAL: REPORT BACK TO THE ECONOMIC DEVELOPMENT
COMMITTEE ON THE LOS ANGELES COUNTY METROPOLITAN AUTHORITY/TRANSIT
ORIENTED DEVELOPMENT PLANNING GRANT/DOWNTOWN ENHANCED
INFRASTRUCTURE FINANCING DISTRICT**

RECOMMENDATIONS

The General Manager of Economic and Workforce Development Department (EWDD) or designee, respectfully requests that the City Council, subject to the Mayor as required:

1. APPROVE the attached budget and scope of work for the use of the Metropolitan Authority (Metro)/Transit Oriented Development (TOD) Planning Grant/Downtown Enhanced Infrastructure Financing District (EIFD) award, prior to expending any funds, this particular grant is solely on reimbursement basis;
2. AUTHORIZE the Controller to:

Establish new accounts and transfer appropriation within the Transit Oriented Development (TOD) Planning Grant Fund No. 60N as follows:

From:

Account No.	Account Name	Amount
22R855	DTLA TIF Feasibility Study	370,000

To:

Account No.	Account Name	Amount
22R122	EWDD	277,776
22R166	Personnel Department	701
22R299	Reimbursement for General Fund Costs	11,138
22R622	Reserved for EWDD Oversight	80,385
	Total	370,000

- Increase appropriations within Fund 100/22 as follows:

Account No.	Account Name	Amount
001010	Salaries – General	22,168
001070	Salaries – As Needed	77
001090	Salaries – Overtime	1
002120	Printing and Binding	1,351
002130	Travel	7
003040	Contractual Services	250,586
006010	Office Admin Expense	165
006030	Lease	3,421
	Total	277,776

- Increase appropriation within Fund 100/66 as follows:

Account No.	Account Name	Amount
001010	Salaries – General	701

3. AUTHORIZE the General Manager of EWDD, or designee, to prepare Controller Instructions and/or make technical adjustments that may be required and are consistent with this action, subject to the approval of the CAO, and instruct the Controller to implement these instructions.

FISCAL IMPACT STATEMENT

This report provides information relating to the approval of the METRO TOD Planning Grant - EIFD Grant, which contains a local match component. The total grant amount is \$423,000, which includes an in-kind match from the City of Los Angeles of \$53,000.

EWDD will use existing staffing as the source for the match. There will be no impact to the General Fund.

SUMMARY

As requested through the Council File 18-0334, approved by City Council on July 03, 2018, EWDD is reporting back to the Economic Development Committee, relative to the scope of work and budget for the use of the grant award of \$370,000. The Downtown Los Angeles TIF Feasibility Study will focus on examining areas around transit stations to determine how the City may finance transit-supporting infrastructure, affordable housing, and other community development goals. The attached Project Schedule and Budget incorporates the duration of the grant and all eligible costs to be incurred. The attached Scope of Work includes a description of the Project and detailed description of the work and tasks to be completed, including project deliverables.

BACKGROUND

An EIFD is an economic financing tool created to finance projects that provide community-wide benefits. EIFDs were created by Senate Bill 628, which is codified in California 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. EIFD boundaries may include non-contiguous areas and may either encompass the parcels of a specific development project or a broader area. 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.

Based on the State's existing Infrastructure Financing Districts model, EIFDs create a flexible tool by simplifying the adoption procedure; expanding the sources of financing available; and enhancing the project types that can be funded. EIFDs allow for the use of tax increment financing but avoid the controversies embroiled in redevelopment by excising the use of any tax increment from a county office of education, school or community college district and requiring remaining affected taxing entities agree to the use of their portion of tax increment in any EIFD. On August 1, 2017, the Los Angeles County Board of Supervisors adopted their EIFD policy entitled, Evaluating Enhanced Infrastructure Financing District (EIFD) and Community Revitalization and Investment Authority (CRIA) Projects. On May 22, 2018, the City's Economic Development Committee approved the EIFD Establishment and Investment Policy establishing the procedures and policies of forming an EIFD in the City of Los Angeles and committing a portion of the City's tax increment to an EIFD (Council File No. 14-1349-S2), and transmitted the CF to the Budget and Finance Committee.

The Office of the 14th Council District worked with various departments to prepare and submit a TOD Planning Grant application for an EIFD feasibility study to evaluate

infrastructure improvements in the Downtown area. The grant application proposed to evaluate a Downtown EIFD study area bounded by the Los Angeles River, the 110, 101 and 10 freeways, and 1st, 2nd and 3rd Streets to the North, an area which would benefit from strategic investment to support current conditions and projected growth. On March 1, 2018, the Metro Board approved funding awards, including a \$370,000 award to the City of Los Angeles.



JOHN L. REAMER, JR.
Interim General Manager

JR:SH:DH:JDR

Attachment A: Project Schedule and Budget
Attachment B: TIF Feasibility Study- Scope of Work

ATTACHMENT A - PROJECT SCHEDULE AND BUDGET
Project Title: Downtown Los Angeles TIF Feasibility Study
TOD Planning Grant Program: City of Los Angeles

Task Number	Task Title	Fund Source			Fiscal Year 2018-19				Fiscal Year 2019-20				Year 2021	Deliverable		
		Total Cost	Grant	Local Match	Q1		Q2		Q3		Q4		Q1			
					J	A	S	O	N	D	J	F	M		A	M
1	Develop Stakeholder Engagement Plan	47,000	35,000	12,000												Meeting agendas, workshop materials, and summary of actions
1.1	Stakeholder Engagement Plan															
1.2	Kick-off meeting															
1.3	Stakeholder Interviews															
2	Identify Boundaries and Initial Screening Criteria	67,000	65,000	2,000												
2.1	Determine boundary scenarios															Maps and written descriptions of up to 3 boundary scenarios for consideration of an EIFD including a narrative detailing the rationale for development of boundaries
2.2	Initial TIF Screening															Matrix showing EIFD screening variables for each boundary scenario
2.3	Strategic considerations															Market and future investment analysis
2.4	EIFD Sensitivity Analysis															EIFD Capacity and sensitivity analysis.
3	Tax Increment Analysis	85,000	80,000	5,000												
3.1	Revenue Generation															Tax increment revenue and present value analysis
3.2	Bonding capacity															Tax increment revenue and present value analysis
4	Identify infrastructure needs	52,000	50,000	2,000												
4.1	Identify infrastructure and community development investments															Summary of potential infrastructure and community investment projects, with an estimated range of costs.
4.2	Identify other funding sources															Summary memo providing a rough order of magnitude funding plan for the TIF district, inclusive of projects/programs, project costs and potential funding sources
5	Next Steps for Implementation	22,000	20,000	2,000												
5	Next Steps for Implementation															Next Steps Summary Memo with Optimal EIFD(s) Scenario Framework and Supporting Analyses Report.
6	Project Management	150,000	120,000	30,000												
6	Project Management															Quarterly progress reports due with invoices and grant management
	Totals	423,000	370,000	53,000			\$ 4,000	\$ 4,000	\$12,000	\$ 4,000	\$ 4,000	\$ 10,000	\$12,000			
	Grant Totals						\$25,000	\$25,000	\$80,000	\$25,000	\$25,000	\$75,000	\$80,000	\$6,000		

**Transit Oriented Communities (TOC) Tax Increment Financing (TIF) Pilot Program
TIF Feasibility Study – Scope of Work**

The City of Los Angeles is seeking a consultant to perform a TIF feasibility study to determine how the City/County may finance transit-supporting infrastructure, affordable housing, and other community development goals in the Downtown Los Angeles TIF Feasibility study area. The area is bounded by the LA River east, 110, 101, and 10 Freeways, and 1st, 2nd and 3rd streets to the north. The study area compasses most of Central City area, including the Downtown core, South Park and the Washington corridor, and easterly industrial areas including the Arts District, Fashion District, and Market areas. Map is attached. The TIF study shall focus on:

1. EIFD – Enhanced Infrastructure Financing Districts (SB628/AB313)

As noted in Task 3, the Study may consider other benefit assessment districts if appropriate and supported by the initial analysis conducted in Task 2. Additionally, the selected consultant shall also reference and adhere to any EIFD Board policy or criteria adopted by the County of Los Angeles as well as the Draft EIFD Investment and Establishment Policy pending Los Angeles City Council approval.

Task 1: Develop Stakeholder Engagement Plan

Duration: 8 months

1.1 Stakeholder Engagement Plan

Working closely with the City /County, Consultant shall develop a stakeholder engagement plan with the objectives of (1) determining stakeholder interest in and/or commitment to an EIFD in the project area; (2) developing a vision for the district; and (3) identifying targeted investments, projects, and priorities for an EIFD in the project area.

The engagement plan shall be tailored to the project area, but will likely be a combination of one-on-one interviews, small focus groups, and larger community meetings/workshops, as well as regular communication through email and social media.

The stakeholder engagement plan will also include mechanisms to ensure engagement of lower income and disadvantaged communities, including meetings at varied times and evenings, translation of materials into multiple languages, and translation services as needed.

Deliverables: Meeting agendas, workshop materials, and summary of actions steps.

1.2 Kick-off meeting

Participate in a kick-off meeting with the project team to review project goals and expectations, as well as present and receive feedback on preliminary recommendations on key elements of

establishing an EIFD. The meeting(s) shall include Consultant reviewing available plans and data sources with the City, County, and Metro if available to serve as project references for:

- Available plans, data sources to serve as project references;
- City and community stakeholders to be interviewed;
- Preliminary geographic impact area for improvements, which would act as a boundary for a comprehensive EIFD boundary within the City of Los Angeles;
- Taxing entities likely to participate in an EIFD;

1.3 Stakeholder Interviews

Based on feedback received during Task 1.2, specifically interview up to eight (8) stakeholders within the Project area, to better understand:

- Priorities, goals, and overall visions for the area as well as key projects that may be important for achieving those visions;
- Concerns and/or sensitivities about the EIFD tool and ways to improve viability; and
- Any other relevant aspects of the project.

Task 2: Identify Boundaries and Initial Screening Criteria

Duration: 12 months

2.1 Determine boundary scenarios:

Working with the City/County and community stakeholders as identified in the outreach plan, identify no more than 3 sets of boundaries to study for preliminary screening of eligibility for EIFD. The boundaries chosen should meet the screening criteria defined in the grant application and SCAG's EIFD/CRIA Screening Assistance Tool.

Deliverable: Maps and written descriptions of up to 3 boundary scenarios for consideration of an EIFD including a narrative detailing the rationale for development of boundaries.

2.2 Initial TIF Screening:

Using data available from SCAG's EIFD/CRIA Screening Assistance Tool, ArcGIS and other publicly available data sources, prepare a matrix of primary screening criteria, including:

From SCAG Screening Assistance Tool:

- Current zoning and density in project area (including consideration of anticipated zoning from land use planning updates underway)
- Project location and infrastructure needs (location in High-Quality Transit/Transit Priority Area)
- Potential infrastructure financing solutions (property tax capture rate, eligibility for grant funding)
- Whether the proposed EIFD boundaries overlap a former California Redevelopment Project Area

From other sources:

- Economic Development potential (planned projects, existing parcel values)
- Technical screening (determine any former RDA project areas, existing ROPs obligations or other bond/financing obligations, and finding of completion from DOF)

Deliverable: Matrix showing EIFD screening variables for each boundary scenario.

2.3 *Strategic considerations*

Identify quantitative and qualitative factors affecting EIFD feasibility, which may include:

- market statistics
- land ownership (public/private)
- proposed developments
- Anticipated infrastructure investments (public transit, grant-funded projects, etc.)

Use the data to make final recommendations for which boundary scenario(s) should continue into the next phase of analysis as well as other forms of benefit assessment district are appropriate (Community Facilities District, BID, etc.) Identify those.

Deliverable: Market and future investment analysis

2.4 *EIFD Sensitivity Analysis*

An initial calculation of EIFD capacity will assume the participation of only the City of Los Angeles, with the commitment of 30 years of tax increment, but will be complimented by a sensitivity analysis evaluating:

- The EIFD capacity provided by qualified taxing entities other than the City of Los Angeles (excluding schools or other entities that are not eligible to participate) EIFD and sub-area/neighborhood level EIFDs;
- The effect of two (2) variations on real property value growth on the capacity of area-wide EIFD; and
- The EIFD capacity under up to three (3) implementation terms, such as a 20 year, 30 year, or 45 year term on the capacity of an EIFD.

Deliverables: EIFD capacity and sensitivity analysis.

Task 3: Tax Increment Analysis

Duration: 6 months

This task is focused on determining a range of tax increment or other benefit assessment district funds could be generated upon formation of a district.

3.1 Revenue Generation

Key assumptions for the revenue generation analysis include:

- Analysis of no more than 3 different boundary scenarios and potential assessment districts, (depending on outcome of Task 2).
- Taxing entity proportional shares should be current (redevelopment era shares were pre-ERAF) and come from County Auditor-Controller.
- Include one set of revenues projections with both County and City participation and one set with only City participation in tax increment.
- Project revenues at the 10, 20, 30 and 45-year timeframe
- Provide some "But/For analysis," i.e., is it likely that the proposed infrastructure projects would not produce the subsequent growth in development without the EIFD
- Is the project viable without contributions from the other taxing entities
- Estimates of real property value appreciation and annual turnover
- A property value premium associated with redevelopment of the area
- New development on currently vacant parcels, with projected valuation and build out based on average valuation in the greater area for up to four (4) land uses; and optionally
- Capacity and demand for new development on underutilized parcels.

Revenue generation assumptions should also meet any EIFD criteria and policies adopted by the Los Angeles County Board of Supervisors.

Deliverable: Tax increment revenue and present value analysis

3.2 Bonding capacity

For each scenario, determine the bonding capacity of the EIFD revenue assuming that the governing authority bonds against the future proceeds.

Deliverable: Tax increment revenue and present value analysis

Task 4: Identify infrastructure needs

Duration: 10 months

4.1 *Identify infrastructure and community development investments.*

Working with the City/County and through the stakeholder engagement strategy, the consultant shall determine a range of infrastructure and community development projects/programs, consistent with the regulations for any assessment district, which could make up the financing plan for the EIFD. The projects/programs shall include estimated funding needs whenever available, as well as the following items:

- Project cost
- Number of households expected to benefit from the project
- Accessibility improvements
- Existing open space and recreation facilities
- Geographical location
- EIFD funding potential available within the project neighborhood or district

The following documents should be used as references in the process of identifying community development projects and programs:

- Recently adopted Transit Supportive Plan or a Plan underway
- Transit-Supportive Development Toolkit: 10 Characteristics of Transit-Supportive Development
- Metro Countywide Sustainability policy
- First/Last Mile Strategic plan
- Green places Toolkit

Deliverable: Summary of potential infrastructure and community investment projects, with an estimated range of costs.

4.2 *Identify other funding sources.*

It is a reasonable assumption that the total desired investment will exceed the net revenues generated by the EIFD/special assessment district. The consultant shall identify other funding sources that could be leveraged by the EIFD district, including grants, special district fees, development impact fees, and other public funding sources.

Deliverable: Summary memo providing a rough order of magnitude funding plan for the TIF district, inclusive of projects/programs, project costs and potential funding sources.

Task 5: Next Steps for Implementation

Duration: 3 month

Consultant shall prepare a summary memo outlining next steps for implementation, a timeline, and a budget for the implementation activities. The memo should include recommendations for the make-up of a Public Financing Authority and identify other factors such as CEQA considerations and further community engagement. The memo should function as a realistic action plan for moving forward.

Deliverable: Next Steps Summary Memo with Optimal EIFD(s) Scenario Framework and Supporting Analyses Report.

Task 6: Project management

Duration: 23 month

Project management costs include personnel to manage and monitor consultant contracts, process invoice from contractor and to Metro. Personnel will also coordinate, reporting, and budgeting of the project.

Deliverable: Quarterly progress reports, project deliverables, and invoice documentation.

Boundary Map

