

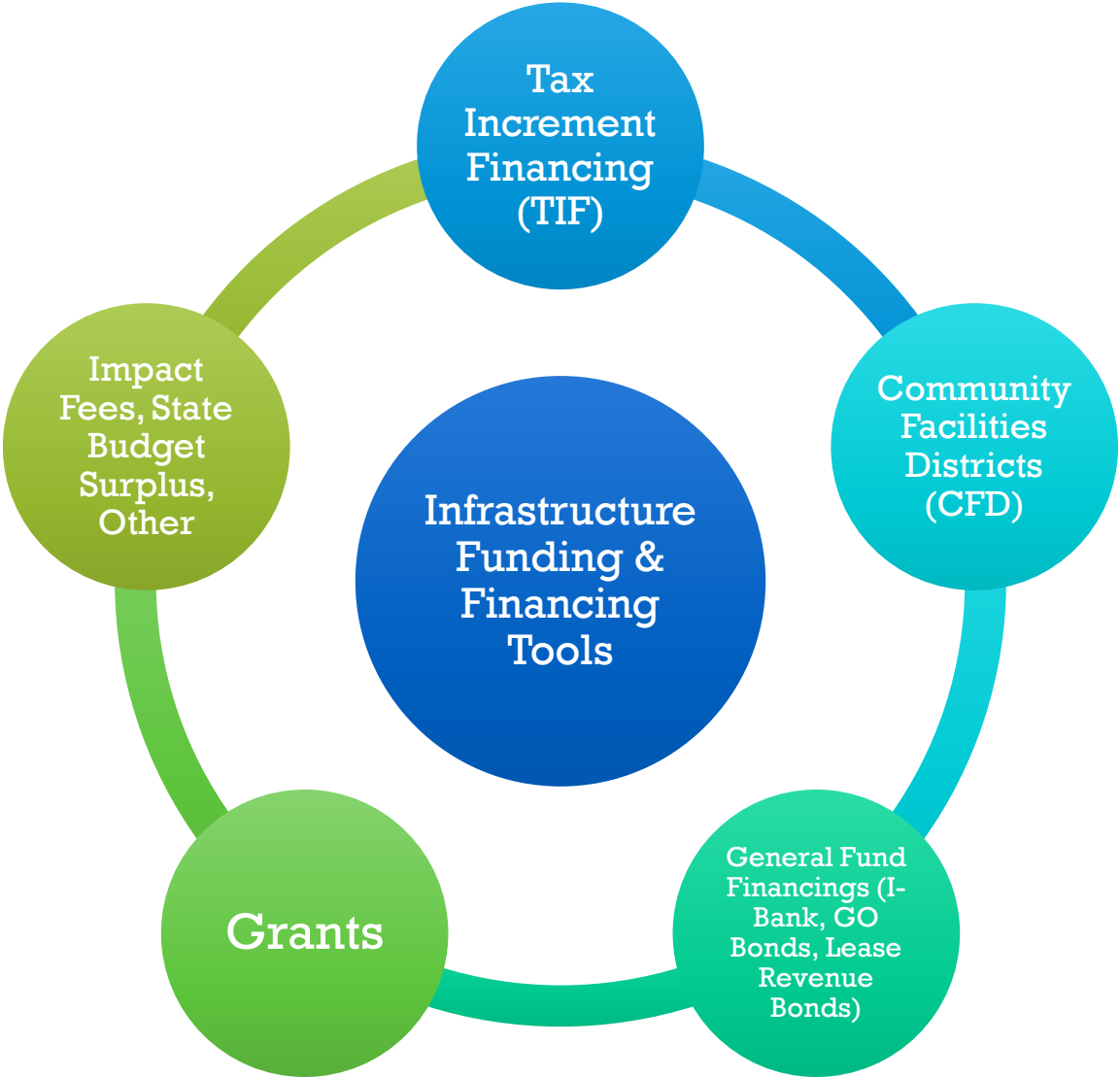
**Redwood Region RISE
Economic Development Finance (EDF)
Working Group**

**Tax Increment Financing (TIF)
District Overview**

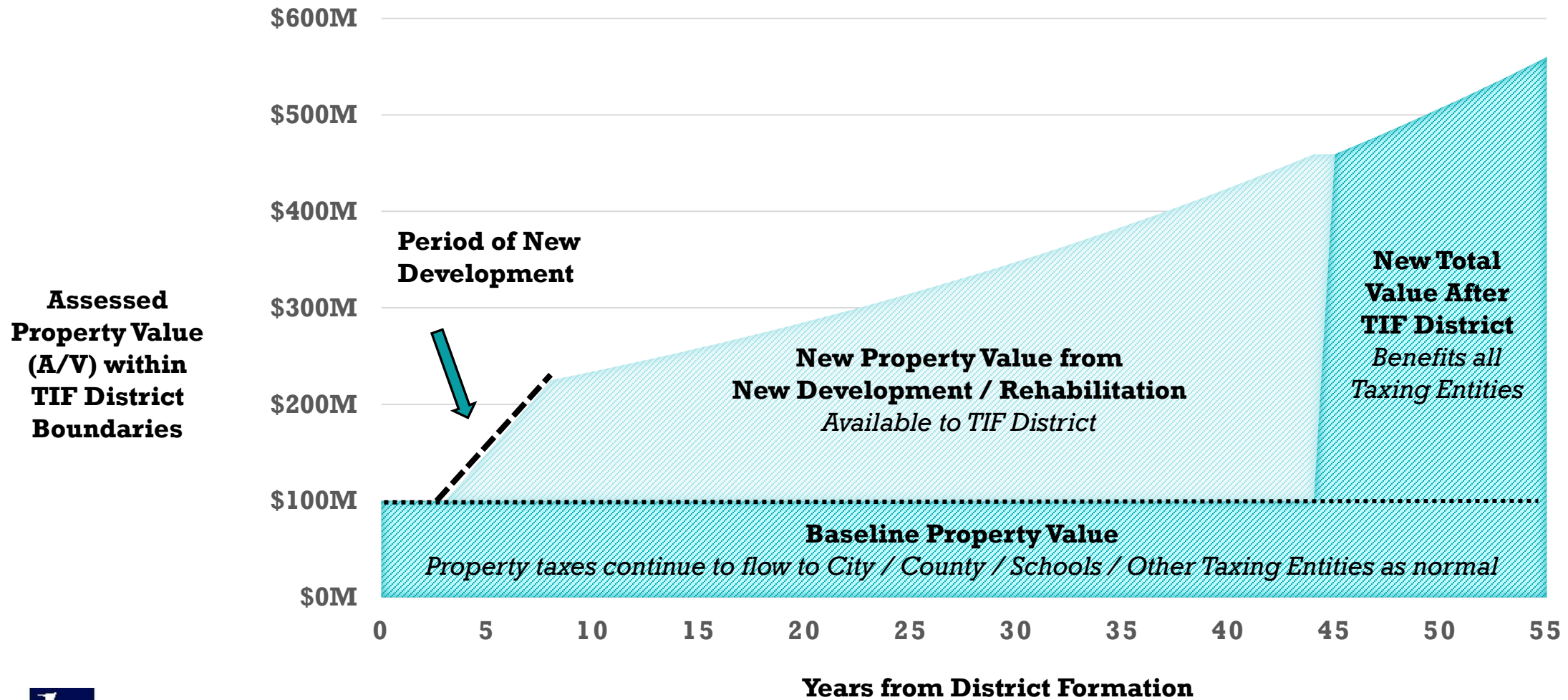
April 3, 2024

**Prepared by:
Kosmont Companies**

Overview of Primary Development Finance Tools



What is Tax Increment Financing (TIF) – Not a New Tax



Note: Illustrative. Conservative 2% growth of existing assessed value (A/V) shown; does not include mark-to-market increases associated with property sales.

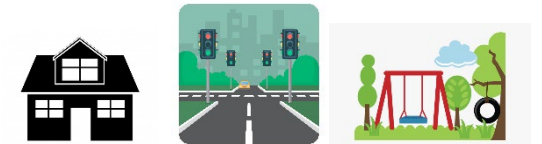
Basic Mechanics of TIF



Increased property tax revenue from new property value

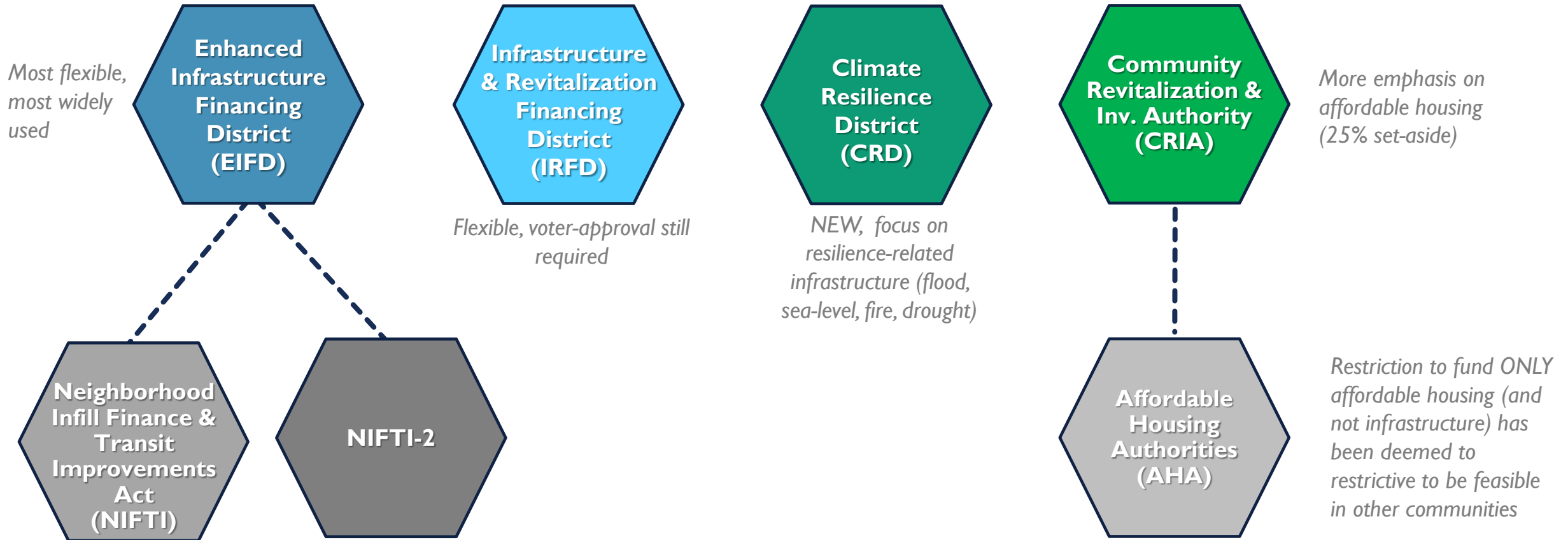


Deposited in separate TIF fund



Funds pay for public improvements

TIF Alternatives in California Today



EIFD Fundamentals

Long Term Districts	45 years from first bond issuance; can be formed in 12-18 months
Governance	Public Financing Authority (PFA) implements Infrastructure Financing Plan (IFP)
Approvals	Mandatory public hearings for formation with protest opportunity; no public vote
Non-contiguous Areas	EIFD project areas <u>do not have to be contiguous</u>
Eligible Projects	Any property with useful life of 15+ years & of communitywide significance; purchase, construction, expansion, improvement, seismic retrofit, rehabilitation, and <u>maintenance</u>

Does NOT increase property taxes

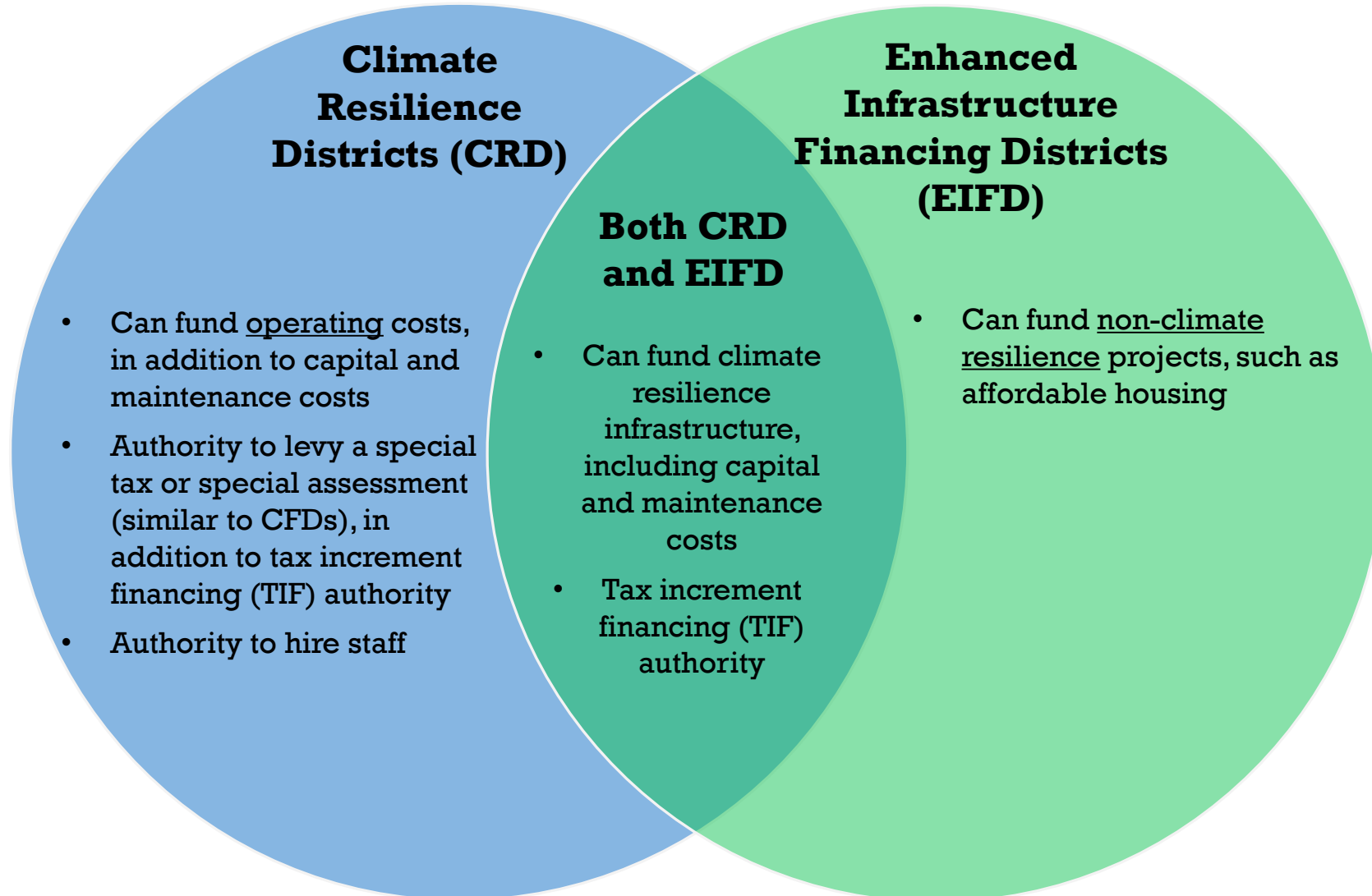
The New TIF District in Town – CRDs

SB 852 Creates Climate Resilience Districts

Purpose	Allows city, county, special district, or combination of entities to form a Climate Resilience District, which can fund projects to mitigate climate change.
Powers	<p>Broad financing powers, including the power to tax, with voter approval (and use of property tax share, with affected agency consent)</p> <ul style="list-style-type: none">• <u>Taxing power</u> – can levy a benefit assessment, special tax, property-related fee, or other service charge / fee• <u>Other funds</u> – can apply for and receive federal / state grants, receive gifts / grants / allocations from public and private entities• <u>Bonds</u> – TIF, can issue revenue bonds, incur general obligation bonds• <u>Administration</u> – powers needed to administer district, like hiring staff
Eligible Projects	<p>Wide range of eligible projects, including:</p> <ul style="list-style-type: none">• <u>Sea Level Rise / Flooding</u> – sea level rise, sea walls, wetlands restoration, erosion control, levies, structure elevation / relocation, flood easements• <u>Extreme Weather</u> – facilities / improvements for extreme heat, extreme cold, rain / snow• <u>Wildfire</u> – fire breaks, prescribed burning, structure hardening, vegetation control• <u>Drought</u> – land repurposing, groundwater replenishment, groundwater storage

CRD versus EIFD

Sample of Key Differences



Types of Projects TIF Can Fund

Partial List



Water / Sewer / Storm / Flood



Roadway / Parking / Transit



Parks / Open Space / Recreation



Childcare Facilities & Libraries



Brownfield Remediation



Affordable Housing



Broadband



**Wildfire Prevention / Other
Climate Change Response**



**Small Business /
Nonprofit Facilities**

TIF Today versus Former Redevelopment Agencies

Sample of Differences

	Former RDAs	EIFDs / CRDs / CRIAs
Eligible Use of Funds	<ul style="list-style-type: none"> • Infrastructure and affordable housing • Mixed-income housing • Land clearing and parcel assembly • Tax and other private business / developer subsidies 	<ul style="list-style-type: none"> • Public infrastructure (e.g., roads, flood control, open space, utilities) • Public facilities • Affordable housing
Eminent Domain / Condemnation	<ul style="list-style-type: none"> • Allowed 	<ul style="list-style-type: none"> • Not allowed
Eligible Areas	<ul style="list-style-type: none"> • Must qualify as “blighted” 	<ul style="list-style-type: none"> • No “blight” finding required
Governance	<ul style="list-style-type: none"> • City Council or County Board • School entity participation 	<ul style="list-style-type: none"> • Public Financing Authority including Public Members (no school entities)
Formation	<ul style="list-style-type: none"> • Vote of governing body 	<ul style="list-style-type: none"> • 3 public hearings, majority protest opportunity from landowners and registered voters within district

TIF as a Component of the Economic Development and Public Financing Toolkit

- There are advantages / disadvantages to TIF compared to other mechanisms, such as general obligation (GO) bonds, lease revenue bonds / COPs, Mello-Roos Community Facilities District (CFD) financing, assessment districts, and other tools
- **Advantages of TIF** include no encumbrance of existing city/county resources, can attract tax increment contributions from other taxing entities, increased priority for grant funding, ability to demonstrate commitment to multiple infrastructure (and/or affordable housing) projects to catalyze private sector development, capacity to fund maintenance, no additional taxes to property owners / residents / businesses, and ease of voter approval
- **Disadvantages of TIF** include lack of comparable financings thus far, statutory vs. constitutional authority to issue debt, and subordination to redevelopment successor agency obligations
- **Complementary Tool: TIF should not be considered a replacement for other useful financing mechanisms, but rather a complementary tool; other jurisdictions have been successful in utilizing TIF as well as other tools for different projects within the same community**

Comparison of TIF and Other Tools

District Type	Description	Revenue Source	Approval Structure	Use of Funds
TIF (e.g., EIFD, CRD, CRIA, IFD, IRFD)	Incremental property tax revenues from new development used to fund local infrastructure. Max term is 45 years from approval to issue debt.	Incremental (new development) property tax revenues (incl. VLF) – does not increase taxes	<i>District formation</i> – No vote, but majority protest opportunity by landowners and registered voters <i>Bond issuance</i> – None	<ul style="list-style-type: none"> • Infrastructure of regional or communitywide significance • Maintenance • Affordable housing
Mello-Roos Community Facilities District (CFD) and/or Assessment District	Additional assessment or “special tax” used to fund infrastructure / services that benefit property. Max term is 40 years from date of debt issuance.	New property assessment or tax – appears as separate line item on tax bill	<i>District formation</i> – 2/3 vote of landowners or registered voters in district* <i>Bond issuance</i> – vote of elected body (City)	<ul style="list-style-type: none"> • Infrastructure capital expenditures of benefit to landowners • Maintenance • Public services (e.g. safety, programs)
General Obligation	Voter-approved debt that is repaid with “override” to 1% tax levy; City-wide	Direct property tax levied on all properties at same millage rate	2/3 vote of registered voters in entire City	<ul style="list-style-type: none"> • In accordance with bond plebiscite
Lease Revenue / COPs	General Fund-supported borrowing, generally utilizing City-owned assets to be leased and leased back	General Fund (or other legally available revenues as determined by City)	Vote of elected body (City)	<ul style="list-style-type: none"> • In accordance with bond authorization

✓ Potential funding strategy can utilize **MULTIPLE** mechanisms



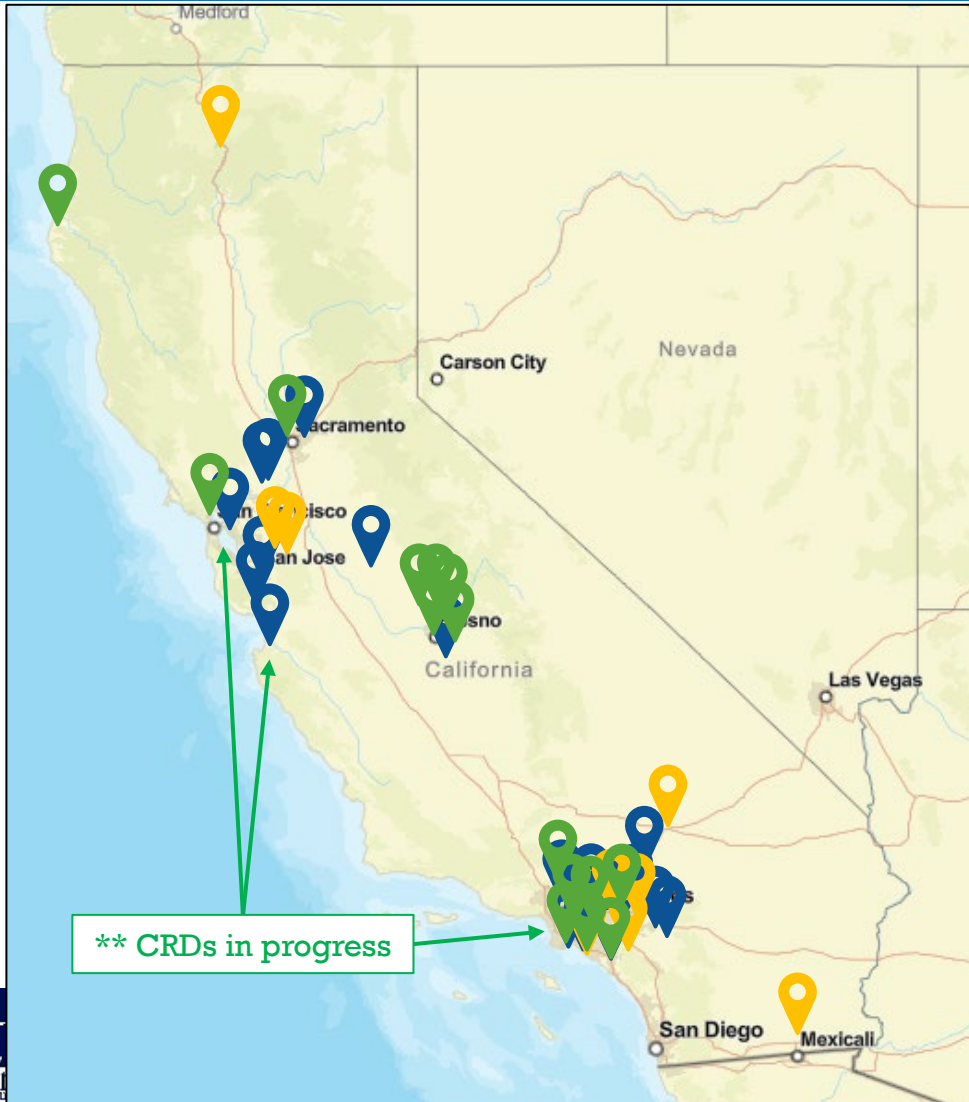
* For CFD formation, a vote of registered voters within the district boundary is required if 12 or more registered voters live therein (otherwise a vote of landowners prorated by acreage).

Why are Public Agencies Authorizing TIF Districts?

1. Return on Investment (“ROI”): Private sector investment induced by district commitment on a “but for” basis accelerates growth of **net fiscal revenues, job creation, housing production, essential infrastructure improvements**
2. Ability to attract additional funds / other public money (“OPM”) – tax increment from other entities (county, special districts), federal / state grants / loans (e.g., for TOD, water, housing, parks, remediation)

Kosmont TIF Districts in Progress Statewide

(Partial List of EIFDs/CRDs/CRIAs)



Jurisdiction	Purpose
Apple Valley	Industrial and housing supportive infrastructure
Banning (CRIA)	Downtown revitalization, industrial infrastructure
Barstow	Industrial and housing supportive infrastructure
Brentwood	Housing, employment, and transit-supportive infrastructure
Buena Park	Mall reimagination, housing-supportive infrastructure
Carson + L.A. County	Remediation, affordable housing, recreation
Citrus Heights	Mall reimagination
Covina	Downtown housing and blended use supportive infrastructure
Fairfield	Downtown, housing, and transit-supportive infrastructure
Fresno	Downtown, housing and transit-supportive infrastructure
Fresno County	Industrial and commercial supportive infrastructure
Humboldt County	Coastal mixed-use and energy supportive infrastructure
Inglewood (CRD) **	Transit-related infrastructure
Imperial County	Industrial, renewable energy, and housing and infrastructure
La Verne + L.A. County	Housing and transit-supportive infrastructure
Long Beach	Economic empowerment and affordable housing
Los Angeles (Downtown, San Pedro, other)	Affordable housing and transit-supportive infrastructure
Los Angeles County Uninc. West Carson	Housing / bio-science / tech infrastructure
Madera County (3 Districts)	Water, sewer, roads and other housing infrastructure
Modesto + Stanislaus County	Downtown, housing, and recreation infrastructure
Mount Shasta	Rural brownfield mixed-use infrastructure
Napa	Downtown, housing, tourism supportive infrastructure
Oakland	Affordable housing and infrastructure
Ontario	Industrial and housing infrastructure
Palmdale + L.A. County	Housing and commercial infrastructure
Pittsburg	Housing, commercial, and tech park infrastructure
Placentia + Orange County	Housing and TOD infrastructure
Rancho Cucamonga	Blended use and connectivity infrastructure
Redlands	Education related and blended use infrastructure
Redondo Beach + L.A. County	Parks / open space, recreation infrastructure
Riverside	Affordable housing and infrastructure
Sacramento County (Unincorporated)	Industrial / commercial supportive infrastructure
San Rafael (EIFD + CRD) **	Blended-use and climate resilience infrastructure
Sanger	Housing and commercial supportive infrastructure
Santa Cruz (EIFD + CRD) **	Downtown, blended use, and climate resilience infrastructure
Santa Fe Springs	Blended use infrastructure
Selma	Water, sewer, and other housing supportive infrastructure
Vacaville	Housing and business park infrastructure
Yucaipa	Housing and commercial infrastructure

Fully Formed	In Formation Process	Under Evaluation
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Potential Cash Flow / Debt Issuance Approaches

- Kosmont Financial Services is in active discussions with public finance underwriters regarding TIF debt issuances in other jurisdictions
- Underwriters have proposed several approaches for the leverage of tax increment for accelerated debt issuance (e.g., 2-3 years from district formation), for example:
 - a) Tax increment only
 - b) Overlapping TIF and CFD (CFD Backstop) – landowners / developers must be willing to pay CFD special taxes in the short term (e.g., 5-10 years) until tax increment reaches a level to cover debt service
 - c) Tax increment with City or County general fund backstop
- There are advantages and disadvantages with each approach (e.g., upfront proceeds available, public agency risk, cost of capital)
- Additional alternatives are available if private sector partners (e.g., landowners / developers are willing to advance infrastructure funding in exchange for reimbursement from TIF proceeds)

TIF works better with a City/County Partnership + Attract Other Funding (e.g., Grants)

- Preferred strategy includes City and County partnership seeking 3rd party funding augmentation
- TIF Districts which involve a City / County joint effort are more likely to win state grant funding sources
- TIF explicitly increases scoring for CA state housing grants (e.g., IIG, AHSC, TCC)

Federal & State Sources

- *Cap-and-Trade / HCD & SGC grant / loan programs (AHSC, IIG, TCC, CERF)*
- *Prop 68 parks & open space grants*
- *Prop 1 water/sewer funds*
- *Caltrans ATP / HSIP grants*
- *Federal EDA / DOT / EPA*
- *Federal IRA and IIJA direct funds*



Private Sector based Funding Sources

- *Development Agreement / impact fees*
- *Benefit assessments (e.g., contribution from CFD)*
- *Private investment*
- *Private tax credits available through IRA and IIJA for climate investments*

Illustrative TIF Formation Schedule

Target Date	Task
Q2-Q3 2024	a) Conduct outreach / discussion among City staff and Council, County staff and Board of Supervisors, other relevant stakeholders b) Final determination of TIF district boundaries, targeted projects, governing Public Financing Authority (PFA) Board composition
Q3 2024	c) Participating taxing agencies adopt Resolution(s) of Intention (ROI) to form district and formally establish PFA Board
Q3 2024	d) PFA directs the drafting of the Infrastructure Financing Plan (IFP)
Q4 2024	e) Distribute draft IFP to property owners, affected taxing entities, City Council, County Board of Supervisors, planning commission, with corresponding project-related CEQA documentation
Q4 2024	f) PFA holds an initial public meeting to present the draft IFP to the public and property owners
Q4 2024	g) PFA holds first “official” public hearing to hear written and oral comments but take no action (noticing must occur at least 30 days after “f”)
Q1 2024	h) City Council / legislative bodies of other affected taxing entity contributing increment adopt resolution(s) approving IFP
Q1 2024	i) PFA holds second public hearing to hear additional comments and take action to modify or reject IFP (at least 30 days after “g”)
Q1-Q2 2024	j) PFA holds third public hearing to consider oral and written protests and take action to terminate proceedings or adopt IFP and form the district by resolution (at least 30 days after “i”)

- Tax increment allocation begins fiscal year following district formation
- Debt issuance, if desired, would occur after a stabilized level of tax increment has been established (may be 3-5 years)

Lessons Learned / Best Practices

- Focus district on what needs to be funded and costs, work backward (boundary, percentage of increment contributed, district duration)
- Include potential partners (e.g., county) early and transparently
- Project champion at each level of local government
- Defensibly analyze public agency and community “return on investment”
- Realistic “but for” test (what happens without the TIF district?)
- Incorporate planning that incentivizes desired land uses / density (up-zoning or density reserve approach)
- Complementary funding (e.g., grants, CFD, opportunity zone private sector investment)

THANK YOU Questions?

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