Exploring Infill Financing Through Infrastructure Finance Districts

**Issue:** Infrastructure Financing Districts may be an alternative means of financing public infrastructure in local communities.

**Recommendation:** The Land Use & Natural Resources Committee recommends that the full Board hear this informational item.

**Committee Action/Discussion:** Despite the demise of redevelopment funding, California law still allows local jurisdictions a means of financing infrastructure that is little known and seldom used. Infrastructure Financing Districts (IFDs) were enacted into state law in 1990 as an alternative to redevelopment areas. The law allows for voter/property owner approved bonds for public infrastructure. Funds may be used to finance roads, bridges, parking and transit facilities, water/wastewater facilities, flood control, libraries and parks. The city council or governing body would create the boundaries, which may be non-contiguous.

Two state laws were recently enacted to make IFDs more appealing to local governments. First, in February 2014, AB 471 removed a prohibition on IFDs within former redevelopment project areas. Then, in September 2014, SB 628 created Enhanced Infrastructure Financing Districts, which expanded the projects that can be funded.

City of West Sacramento staff member Aaron Laurel will explain IFDs to the Board and describe the City’s experience in the program and what it may mean to other local jurisdictions. The City is one of very few in the state to utilize the program. Mr. Laurel’s presentation is attached.

Approved by:

Mike McKeever  
Chief Executive Officer

**Key Staff:**  
Kacey Lizon, Planning Manager, (916) 340-6265  
Greg Chew, Senior Planner, (916) 340-6227
WEST SACRAMENTO BACKGROUND

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

- Over $60 million project—rail removal, demolition, new roads, streetscape, utilities, parks, & water storage tank.

- CFDs formed by property owners, $15 million of redevelopment TIF, & over $30 million in grants.
RESULTS

• Over 700 housing units completed or under construction.

• Riverfront entertainment venue under construction.

• Streetcar construction planned for 2016.
RESPONSE TO RDA ELIMINATION

• Mayor formed PRO-West Sacramento committee

• Staff produced Community Investment Action Plan

• GOAL: Replicate RDA’s level of infrastructure investment
RESULTS

• Measure G passed by 87%: $3.5 million/year for projects

• Identified IFDs as long-term tax increment solution

• Pursued IFD/EIFD legislation: AB 417 & SB 628
**EIFD BACKGROUND**

- **1990**—IFD law enacted as alternative to RDAs

- **February 2014**—AB 471 removed prohibition on IFDs within former redevelopment project areas

- **September 2014**—SB 628 created *Enhanced Infrastructure Financing Districts*

- **Present**—AB 313 proposed EIFD cleanup
CONTRAST WITH REDEVELOPMENT

- No blight findings required
- Boundary may be non-contiguous
- Funds may be expended outside district
- Other agencies must opt in (schools prohibited)
- Voter/property owner approval for bond issuance
- Narrower scope of eligible costs & powers
SB 628 “Enhancements”

- 45-year term (starts at bond issuance)
- City Council vote to form district
- 55 percent voter threshold for bonds
- Expanded list of “specified projects” & powers (Polanco)
- Alternative options for EIFD revenue
  - City revenue from RPTTF
  - City revenue in lieu of VLF
EIFD PROJECTS (53398.52)

- Any capital project of community-wide significance
  - Highways, street, bridges, etc.
  - Parking & transit facilities
  - Sewage & water infrastructure
  - Flood control
  - Libraries & child care facilities
  - Parks and recreational facilities
  - EIFD project planning & design work

- Brownfields
- Military base reuse
- Affordable housing
- Transit priority projects/SCS projects
EIFD PROCESS

- City Council creates an EIFD authority (53398.51.1)
- CC adopts Resolution of Intention & sets public hearing date (53398.59-53398.61)
- Infrastructure Financing Plan prepared (53398.62-53398.65)
- CC conducts public hearing, adopts Resolution of Formation & Financing Plan (53398.66-53398.69)
- Other taxing entities must approve EIFD before Resolution of Formation & Financing Plan are adopted (53398.68)
- 55 percent of district voters or property owners must approve EIFD bond issuance (53398.77-53398.88)
FINANCING PLAN

• Infrastructure Financing Plan must include:
  • Map and legal description of district
  • Description of facilities & financial assistance proposed
  • Proposed location, timing, and cost of projects
  • Finding that facilities & projects have community-wide significance/benefit an area larger than the IFD
  • Financing & impact analysis section with analysis of fiscal impact on city services vs. revenue growth (53398.63(d))
BRIDGE DISTRICT IFD

- Development Agreements pledged tax increment for future infrastructure
- Unsuccessful litigation vs. State
- AB 471 enacted
- IFD formed in about 8 months, about $100K in startup costs
- Property owner vote with simultaneous bond vote
BRIDGE DISTRICT IFD

- IFD projected to out-produce RDA 2:1

  RDA expires in 2037  ($150 million in TI)

  IFD expires in 2044  ($325 million in TI)

- IFD can pay for same infrastructure items committed to RDA TI

- Maintenance CFD formed simultaneously

- City now in process of analyzing & forming community-wide EIFD
RECOMMENDATIONS

• EIFDs can work on a project-level or area-wide basis—be strategic about district boundaries & potential EIFD projects

• Where applicable, form a maintenance/services CFD or PBID as a companion to the EIFD

• Consider holding back a portion of district tax increment for EIFD administration

• City-county partnerships will be necessary for most EIFDs (or for any other post-RDA tax increment tool)
CONSIDERATIONS

- EIFDs provide greater incentive for city-county partnerships than under redevelopment
  
  Cities and counties share the upside

- The return of traditional redevelopment tax increment financing is unlikely
  
  Focus on making the most of EIFDs & improvements through follow-up legislation
Redevelopment Property Tax Trust Fund

1st: Statutory Pass-Thru Payments
2nd: State and County Admin $
3rd: Redevelopment Obligation Retirement Fund (Enforceable Obligations & Successor Agency admin $)
4th: Distributions to Taxing Entities

Other Taxing Entities (county, school district, etc.)

EIFD NET AVAILABLE REVENUE (city portion)