

ECONOMIC DEVELOPMENT 2018:

SUSTAINABILITY AND HOUSING DISTRICTS



BOARD OF DIRECTORS LUNCH MEETING

AUGUST 2, 2018

PRESENTED BY:

LARRY J. KOSMONT, CRE®

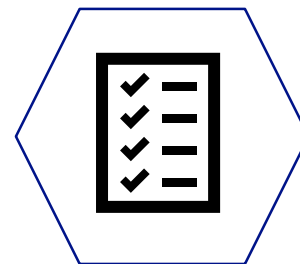
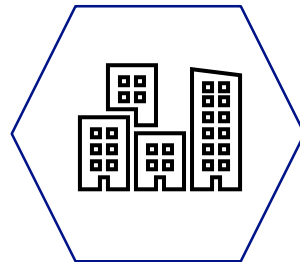
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PRESENTATION OUTLINE



- **What is the State After?**
 - Sustainability and Housing
- Housing as Economic Development
- California's New Sustainability and Housing Tax Increment "TIF" Districts
- Implementation of TIF Districts

NEW STATE MANDATES TO ACHIEVE A **GREENER** ECONOMY

State Mandates / Targets

Mandates on Private & Public Sectors

Climate Action

Housing Supply/Affordability

Sustainability & Housing Districts

Poverty Reduction

Climate Action Plans (CAPs): Pathway to meet AB32/SB32 goals; May allow for streamlined CEQA review

Zero Net Energy for residential and commercial buildings

Clean Air Mandates targets
Zero-Emissions Vehicles

Mandates on housing affordability and affordable housing production

CA IS PURSUING SUSTAINABILITY... A PATHWAY TO “GREEN”

The Economist Livability Index:

stability, health care, culture and environment,
education, infrastructure



What does sustainability look like?

- Meet State Climate Action goals
- Healthy (and happy!) population
- Attract “green” investments
- Ability to provide services
- Stable and diverse tax base
- Fiscally responsible governance
- Updated infrastructure
- Zero Net Energy (ZNE) Buildings
- Managing resources for future generations

THE NEW ECONOMIC DEVELOPMENT PARADIGM - BUILDING A SUSTAINABLE COMMUNITY

State Priority: Economic Development helps cities meet climate action targets

- Attract businesses and new development that fulfill your City's Climate Action Plan strategies - clean tech, telecommuting, blended use
- Neighborhood Oriented Development (NOD); urban and suburban clusters near transit
- Require business to invest in sustainability (higher density, fewer trips, Title 24, electric vehicles)

City Priority: Economic Development attracts private investment for jobs and taxes

- Zoning policies may focus on placemaking, housing, and blended use
- Address retail changes AND sustainability at the same time
- Retail being replaced by "Creating a Place"
- Retail meets industrial = *REDUSTRIAL*

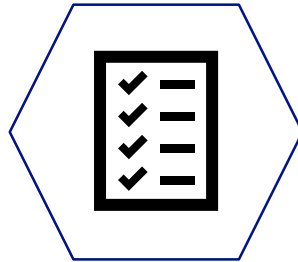
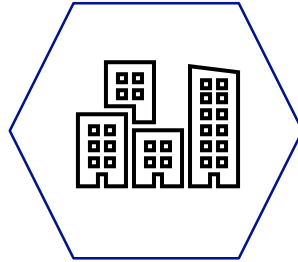
Human Priority: Housing is where jobs sleep at night

- New legislation provides tools, streamlining, and funding for affordable/workforce housing
- Use of Tax Increment can provide funding and accelerate compliance



**APPROACH to Economic Development is to address climate action,
housing, jobs, and taxes**

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HOUSING COST & TAXES =



OUT-MIGRATION

Between 2007 and 2016:

- ~5 million people came to CA – primarily from NY, IL, NJ, and MI
- ~6 million people left CA – going to TX, AZ, NV, and OR
- CA residents seeking states with home values @ \$200-300K (average price in CA > \$500K)
- Californians moving to states with low or no income tax
 - **Texas is a fast growing state (867,000 new; 2010 to 2016)**

Statewide Gentrification?

- CA has net gain in high earners (Income of over \$110K) and highly educated (graduate degrees)
- CA is becoming wealthier, more economically stratified, and less affordable – tough on middle-class residents
 - Families with children and earning less are moving away
- CA will add ~636,500 jobs through 2019
 - Much of job growth is in low-paying fields such as retail sales and food services

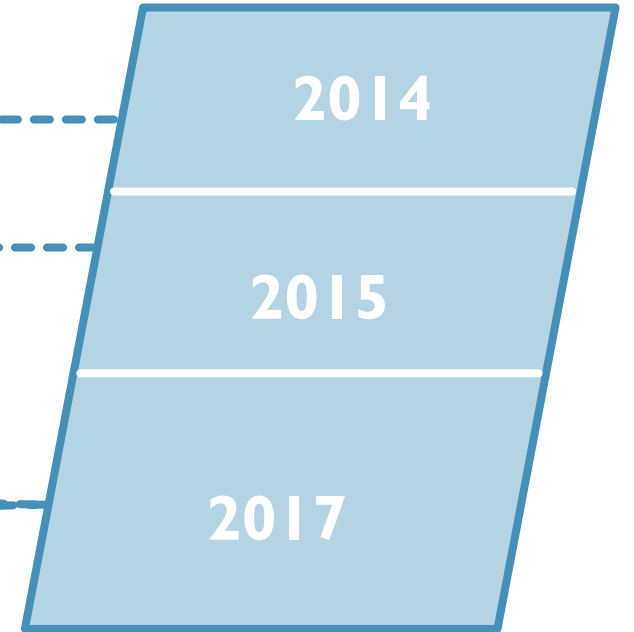


Top 5 Occupations (Sacramento Co.)	Avg. Wage
Food Preparation/Serving	\$24,580
Personal Care Aides	\$24,680
Cashiers	\$26,220
Retail Salespersons	\$28,780
General Office Clerks	\$34,910

CA LEGISLATURE HAS NEW INVESTMENT INCENTIVES: 4 SUSTAINABILITY & HOUSING “TIF” DISTRICTS

Governor Brown taketh RDAs... and giveth Sustainability & Housing Districts

- **Enhanced Infrastructure Financing Districts (EIFDs)** ←
 - Infrastructure and public/private transactions
- **Community Revitalization and Investment Authorities (CRIAs)** ←
 - Similar to EIFDs w/eligibility standards & focus on affordable housing
- **New approved Housing Districts include:**
 - Workforce Housing Opportunity Zones (WHOOZ) - **CEQA Streamlining**
 - Affordable Housing Authorities (AHA) - **TIF**
 - Housing Sustainability Districts (HSD) - **TIF**
 - Neighborhood Infill Finance and Transit Improvements Act (NIFTI) - **TIF**
- **EIFDs, CRIAs, AHAs and NIFTIs use tax increment financing (TIF Districts)**
- **All Districts eligible for state funding for climate action/transportation**
- **City of La Verne is LA County’s first EIFD (Oct. 2017) for TOD/Blended Use**



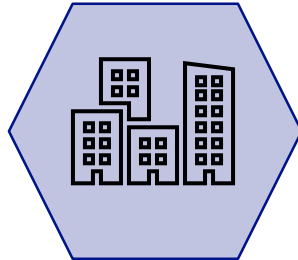
PRESENTATION OUTLINE



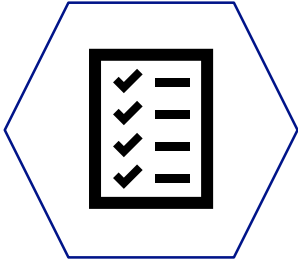
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 - Sustainability and Housing



- Housing as Economic Development



- **California's New Sustainability and Housing Tax Increment "TIF" Districts**



- Implementation of TIF Districts

UTILIZE SUSTAINABILITY & HOUSING “TIF” DISTRICTS FOR PUBLIC/PRIVATE PROJECTS

**Enhanced
Infrastructure
Financing Districts
(EIFD)**

**Community
Revitalization & Inv.
Authority
(CRIA)**

**Neighborhood Infill
Finance & Transit
Improvements Act
(NIFTI)**

**Affordable Housing
Authorities
(AHA)**

Tax Increment Financing

- **Community Revitalization Investment Authority (CRIA)**
 - AB 2 (2015), AB 2492 (2016)
 - Restores RDA authorities to disadvantaged communities
 - Income, crime, unemployment, disadvantaged status tests
- **Enhanced Infrastructure Financing District (EIFD)**
 - SB 628 (2014), AB 313 (2015), AB 1568 (2017)
 - Tax increment from participating agencies used to fund local / regional infrastructure and housing
 - No blight test needed
 - Sales tax increment eligible via Neighborhood Infill Finance and Transit Improvements (NIFTI) Act
- **Affordable Housing Authority (AHA)**
 - AB 1598 (2017)
 - Tax increment for affordable and workforce housing

ENHANCED INFRASTRUCTURE FINANCING DISTRICTS (EIFDs)

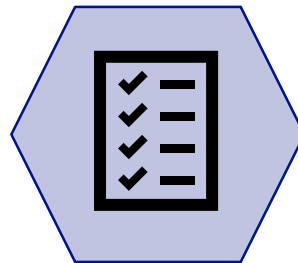
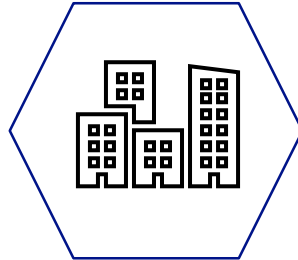
- Initiated by a City or County; created by adoption of a resolution by a Public Financing Authority. Two types;
 - A single member EIFD consisting only of the city/county that initiates its creation
 - A multimember EIFD with one or more taxing entities
- EIFD's PFA implements an Infrastructure Financing Plan (IFP), similar to Capital Improvement Plan
- Enables tax increment financing for local/regional infrastructure projects (purchase, construction, expansion, improvement, seismic retrofit, rehabilitation), for property w/ useful life of 15+ years & of communitywide significance
- District lifespan is 45 years to collect and spend property tax increment.
- Sub-districts do not have to be contiguous
- No public vote required to create District
- Does not increase property taxes
- EIFDs can be used to fund affordable housing. EIFDs can fund facilities outside district with tangible connection

EIFDS: USE DIVERSE FUNDING SOURCES

- Can use multiple funding sources with tax increment
 - Federal and state sources:
 - *Proposition 1 bond funds*
 - *Cap-and-Trade proceeds*
 - *HCD grant / loan programs*
 - *Federal DOT / EPA / EDA funding programs*
 - Other Potential Funding Sources:
 - *Property tax revenue including RPTTF*
 - *Vehicle license fee (VLF) prop. tax backfill increment*
 - *Development agreement / impact fees*
 - *City / county / special district loans*
 - *Benefit assessments (e.g. contribution from CFD)*
 - *Private investment*
 - *Sales Tax with NIFTI via EIFD*



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WHY USE “TIF” DISTRICTS?

- **Leverages the value of private investment which can be used to support projects that generate the new tax increment**
- Use districts to implement housing and climate action goals
- No new taxes, only tax increment for new projects
- **No voter approval – only needed for financing**
- Reduce political risk of future Councils
- Long-term, committed revenues support investor confidence
- **Ability to leverage other revenues – sales tax, property tax, VLF, ground lease, development impact fees, CFD loans or contributions**
- Ability to attract additional funds – State/regional parks / housing bonds, cap and trade, Measure M
- Certain districts do not need to be contiguous
- **Certain districts can be approved for 45+ years**

SUSTAINABILITY & HOUSING DISTRICTS: WHAT CAN THEY FUND?



Industrial Structures



Aff./Workforce Housing/Blended Use



Transit Priority/RTP/SCS Projects



Wastewater/Groundwater



Light / High Speed Rail



Civic Infrastructure



Parks & Open Space

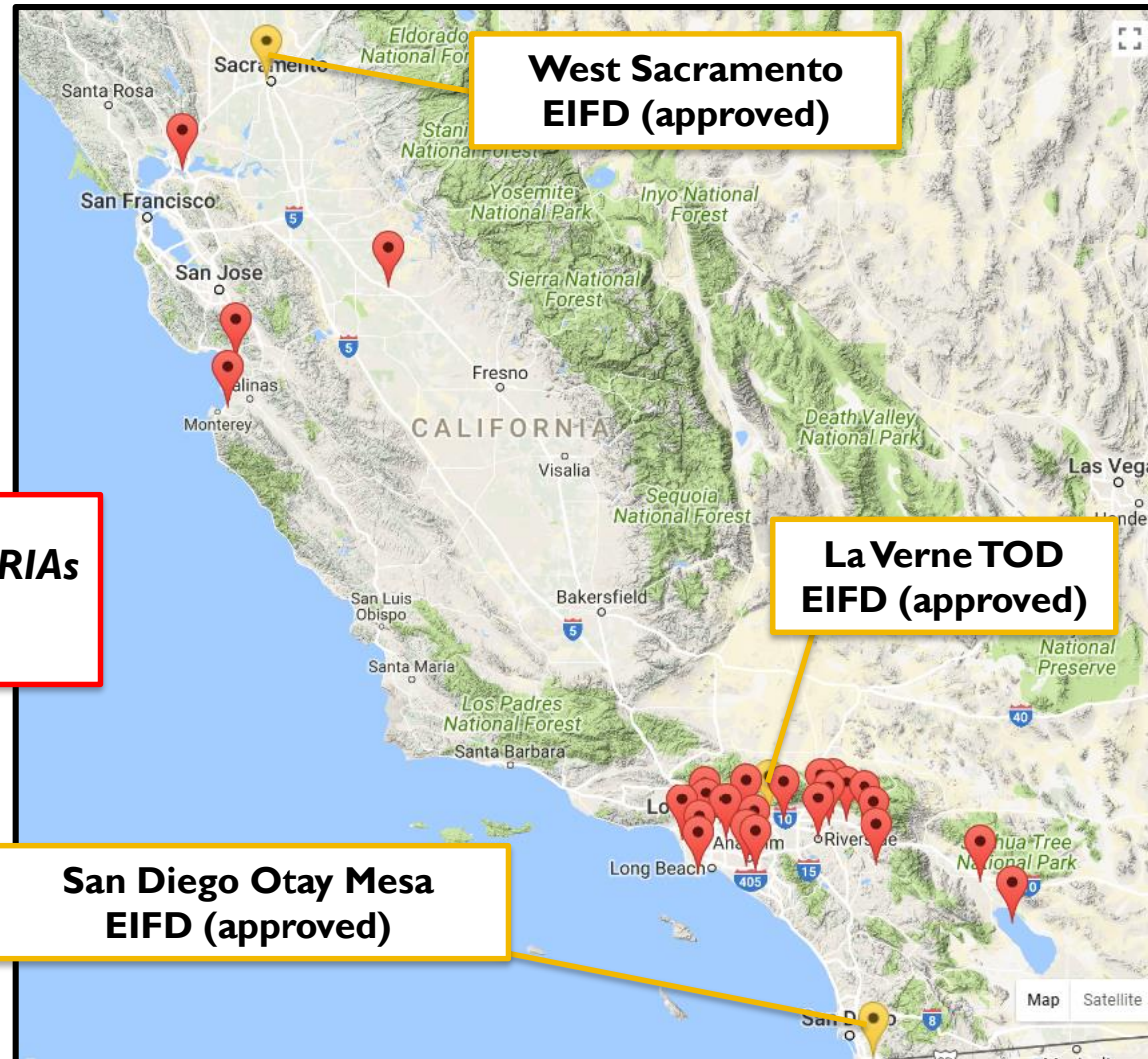


Childcare Facilities



Brownfield Remediation

SUSTAINABILITY & HOUSING DISTRICTS: WHERE ARE THEY BEING DONE?



**Three Districts
Approved (EIFDs)
15-20 Districts in progress**

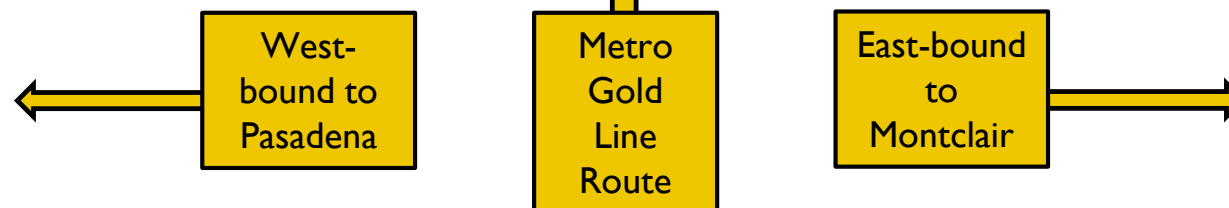
**Red markers are EIFDs/CRIAs
under evaluation**

**San Diego Otay Mesa
EIFD (approved)**



CITY OF LA VERNE: L.A. COUNTY'S FIRST EIFD!

- Activated Oct 26th, 2017
- City of La Verne is lead
- TOD, Sustainability, Mixed Use District (~110 acres)
- Induce private development at future gold line station
- Mixed-use housing, potential hotel, retail / event space
- Station area improvements, circulation, sustainability for commercial/industrial bldgs.



THANK YOU – ANY QUESTIONS?



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