ECONOMIC DEVELOPMENT 2018:
SUSTAINABILITY AND HOUSING DISTRICTS

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PRESENTED BY:
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• **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

<table>
<thead>
<tr>
<th>State Mandates / Targets</th>
<th>Mandates on Private &amp; Public Sectors</th>
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<tbody>
<tr>
<td>Climate Action</td>
<td>Climate Action Plans (CAPs): Pathway to meet AB32/SB32 goals; May allow for streamlined CEQA review</td>
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<td>Housing Supply/Affordability</td>
<td>Zero Net Energy for residential and commercial buildings</td>
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<td>Sustainability &amp; Housing Districts</td>
<td>Clean Air Mandates targets</td>
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<td>Poverty Reduction</td>
<td>Zero-Emissions Vehicles</td>
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<td>Mandates on housing affordability and affordable housing production</td>
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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 Economist Livability Index:

- Stability, health care, culture and environment
- Education, infrastructure

Quality of Life

- Housing
- Mobility
- Employment
- Culture
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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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.)

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Avg. Wage</th>
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<tbody>
<tr>
<td>Food Preparation/Serving</td>
<td>$24,580</td>
</tr>
<tr>
<td>Personal Care Aides</td>
<td>$24,680</td>
</tr>
<tr>
<td>Cashiers</td>
<td>$26,220</td>
</tr>
<tr>
<td>Retail Salespersons</td>
<td>$28,780</td>
</tr>
<tr>
<td>General Office Clerks</td>
<td>$34,910</td>
</tr>
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</table>
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 (WHOZ) - 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

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

Source: SB 628/AB 2 - Bill Text
SUSTAINABILITY & HOUSING DISTRICTS:
WHERE ARE THEY BEING DONE?

Red markers are EIFDs/CRIAs under evaluation

West Sacramento EIFD (approved)

La Verne TOD EIFD (approved)

San Diego Otay Mesa EIFD (approved)

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

AUGUST 2, 2018
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