3.106 Evaluating Enhanced Infrastructure Financing District (EIFD) and Community Revitalization and Investment Authority (CRIA) Projects

Effective Date: 08/01/17

PURPOSE

Establishes a County policy that defines the role of the Chief Executive Officer (CEO), in conjunction with County Counsel and Auditor-Controller, in evaluating Enhanced Infrastructure Financing District (EIFD) and Community Revitalization and Investment Authority (CRIA) proposals from cities within the County. The proposals from cities should be consistent with the economic development goals of the County, as established by the Economic Development Policy Committee. These goals include measurable gains in job creation, private investment in the community, expansion of the tax base, and enhanced opportunities for disadvantaged, target populations.

EIFDs and CRIAs were signed into State law to provide cities and counties with a limited form of property tax increment financing to assist with the funding of infrastructure and development projects after the dissolution of redevelopment agencies in 2012.

REFERENCE

October 20, 2015, Board Order No. 7 Board motion by Supervisors Mark Ridley-Thomas and Hilda L. Solis.

August 1, 2017, Board Order No. 26

March 26, 2019, Board, Order No. 17

EIFD POLICY

On September 29, 2014, the Governor approved Senate Bill 628, which authorized the formation of an EIFD. The following policies are to guide the County's review and response to proposals for the County to participate in EIFD projects. The purpose of the policy is to protect the County's interests and provide policy guidance to the CEO when evaluating EIFD proposals from cities. All correspondence with cities, and any Board communications concerning EIFDs, must cite and be consistent with these policies. Any departure from these policies must be justified by significant overriding considerations.

Minimum Requirements:

1. The City's contribution of property tax increment must equal a minimum of 15 cents ($0.15) for every dollar ($1.00) captured in the EIFD Project Area. Sources of ongoing funding other than property tax increment may be used to satisfy the required $0.15 minimum City contribution.
2. A City's failure to meet the $0.15 threshold does not preclude the County's participation in a proposed EIFD if the City demonstrates to the County's satisfaction that overriding considerations should be considered in lieu of the threshold.
3. The City's contribution of property tax increment must at least equal that contributed by the County General Fund and its special districts. Examples of County special districts include the Fire District, Flood Control District, and Library Fund.
4. The County must not be required to contribute 100% of its property tax increment.
5. The Fiscal Analysis conducted by the CEO must demonstrate a positive net impact to the County General Fund as a result of the tax revenue generated from the Project Area.

6. In addition to supporting economic development, the proposed EIFD Project must align with established Board priorities in one or more of the following areas: 1) affordable housing; 2) homeless prevention; 3) workforce development; or 4) sustainability.
7. Any rental housing proposed for the EIFD must allocate a minimum of 20%of all units for affordable housing. In certain circumstances, this requirement may be satisfied through payment of an in-lieu fee, or through provision of an equivalent number of affordable housing units at a separate location in proximity to the economic development site.
8. The EIFD proposal must be consistent with Division 2 of Title 5 of the California Government Code (Section 53398.5—53398.58), which authorizes the formation of EIFDs.

Fiscal Analysis:

1. Each EIFD proposal shall be subject to a fiscal analysis that will determine the expected financial impact to the County General Fund and any special districts that may contribute a portion of their tax increment share. Where appropriate, the County may require reimbursement from the proposing entity for the cost of conducting the fiscal analysis.
2. The fiscal analysis shall review the following:
    a. Anticipated growth in assessed value absent any new development;
    b. Expected new development in terms of retail square footage, business park square footage, office space, apartment units, condominium units, housing units, hotel units, and parking spaces;
    c. Tax increment generated as a result of each new development opportunity associated with the EIFD;
    d. Tax increment contributions from each participating agency;
    e. Scenario analysis based on differing contributions from each County taxing entity;
    f. Property tax revenue resulting to each taxing entity based on new development and growth in assessed value; and
    g. Sales and transient occupancy tax revenues resulting to the City and County.
3. The resulting fiscal analysis must demonstrate a positive net impact to the County General Fund based on the anticipated tax revenue. This analysis shall include a comparison of the increased amount of property and sales taxes to the County generated by the project with the amount of property taxes contributed to the EIFD.
4. A sensitivity analysis shall be conducted to evaluate the risk associated with tax forecasts based on various economic scenarios that might impact the amount of actual development realized in the EIFD.

Proposal Standards:

1. Any EIFD proposal from a city must initially be directed to the Economic Development Unit of the CEO for review.
2. All EIFD proposals must demonstrate regional and community significance in areas that may include job creation, affordable housing, blight removal, sustainability measures, or improvements to regional transportation.
3. Project feasibility analysis must include a "But for …" review that evaluates whether the contribution of County property tax increment is a necessary pre-condition for the infrastructure and development projects being considered.

4. Cost estimates for all infrastructure to be funded by the EIFD must be provided. A cap on County contributions should be established related to the list of infrastructure projects to be completed. Additionally, a plan for funding the anticipated operations and maintenance costs for the proposed infrastructure must be given.
5. A plan to fund the administrative costs of the EIFD in the start-up and early years of the project should be presented.
6. A schedule of bond issuance, and an estimated amount of bond proceeds, must be provided in relation to any debt to be secured by EIFD tax increment.
7. If the proposed EIFD is within a former redevelopment project area, the amount of residual revenue from the redevelopment successor agency must be evaluated in relation to the projected amount of tax increment.
8. Job creation must be projected, including for local and targeted workers as identified in the County's Local and Targeted Worker Hire Policy.
9. Opportunities for affordable housing, including permanent supportive housing, must be referenced - even if not included in the recommended plan for the proposed Project Area.
10. Any potential impact to adjacent unincorporated areas must be identified and evaluated.

CRIA POLICY

On September 22, 2015, the Governor approved Assembly Bill 2, which authorized the formation of a CRIA. The following policies are to guide the County's review and response to proposals for the County to participate in CRIA projects. The purpose of the policy is to protect the County's interests and provide policy guidance to the CEO when evaluating CRIA proposals from cities. All correspondence with cities, and any Board communications concerning CRIAs, must cite and be consistent with these policies. Any departure from these policies must be justified by significant overriding considerations.

Minimum Requirements:

1. The City's contribution of property tax increment must equal a minimum of 15 cents ($0.15) for every dollar ($1.00) captured in the CRIA Project Area. Sources of ongoing funding other than property tax increment may be used to satisfy the required $0.15 minimum City contribution.
2. A City's failure to meet the $0.15 threshold does not preclude the County's participation in a proposed CRIA if the City demonstrates to the County's satisfaction that overriding considerations should be considered in lieu of the threshold.
3. The City contribution of property tax increment must at least equal that contributed by the County General Fund and its special districts. Examples of County special districts include the Fire District, Flood Control District, and Library Fund.
4. The County must not be required to contribute 100% of its property tax increment.
5. The Fiscal Analysis conducted by the CEO must demonstrate a positive net impact to the County General Fund as a result of the tax revenue generated from the Project Area.
6. The proposed CRIA must conform to the statutory requirement that 25% of the property taxes generated by the CRIA must be set aside for Low- and Moderate-Income Housing.
7. Any rental housing proposed for the CRIA must allocate a minimum of 20 percent of all units for affordable housing.

8. The CRIA proposal must be consistent with Division 4 of Title 6 of the California Government Code (Section 62000—62208), which authorizes the formation of CRIAs.

Fiscal Analysis:

1. Each CRIA proposal shall be subject to a fiscal analysis that will determine the expected financial impact to the County General Fund and any special districts that may contribute a portion of their tax increment share. Where appropriate, the County may require reimbursement from the proposing entity for the cost of conducting the fiscal analysis.

2. The fiscal analysis shall review the following:

   a. Anticipated growth in assessed value absent in any new development;

   b. Expected new development in terms of retail square footage, business park square footage, office space, apartment units, condominium units, housing units, hotel units, and parking spaces;

   c. Tax increment generated as a result of each new development opportunity associated with the CRIA;

   d. Tax increment contributions from each participating agency;

   e. Scenario analysis based on differing contributions from each County taxing entity;

   f. Property tax revenue resulting to each taxing entity based on new development and growth in assessed value; and

   g. Sales and transient occupancy tax revenues resulting to the City and County.

3. The resulting fiscal analysis must demonstrate a positive net impact to the County General Fund based on the anticipated tax revenue. This analysis shall include a comparison of the increased amount of property and sales taxes to the County generated by the project with the amount of property taxes contributed to the CRIA.

4. A sensitivity analysis shall be conducted to evaluate the risk associated with tax forecasts based on various economic scenarios that might impact the amount of actual development realized in the CRIA.

Proposal Standards:

1. Any CRIA proposal from a City must initially be directed to the Economic Development Unit of the CEO for review.

2. All CRIA proposals should clearly identify the required blight conditions in Government Code Section 62001(d) or (e).

3. All CRIA proposals must demonstrate regional and community significance in areas that may include job creation, affordable housing, blight removal, sustainability measures, or improvements to regional transportation.

4. Project feasibility analysis must include a "But for …" review that evaluates whether the contribution of County property tax increment is a necessary pre-condition for the infrastructure and development projects being considered.

5. A plan to fund the administrative costs of the CRIA in the start-up and early years of the project should be presented.

6. A schedule of bond issuance, and an estimated amount of bond proceeds, must be provided in relation to any debt to be secured by CRIA tax increment.

7. Proposals must address a possible cap on the annual or lifetime contribution of tax increment from the County.

8. If the proposed CRIA is within a former redevelopment project area, the amount of residual revenue from the redevelopment successor agency must be evaluated in relation to the projected amount of tax increment.
9. Job creation must be projected, including for local and targeted workers as identified in the County's Local and Targeted Worker Hire Policy.
10. Any potential impact to adjacent unincorporated areas must be identified and evaluated.

RESPONSIBLE DEPARTMENT

Chief Executive Office

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