SACHI A. HAMAI
Chief Executive Officer

County of Los Angeles
CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
http://ceo.lacounty.gov

"To Enrich Lives Through Effective And Caring Service"

August 01, 2017

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

26 August 1, 2017

Lori Glasgow
LORI GLASGOW
EXECUTIVE OFFICER

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

APPROVAL OF BOARD POLICY FOR EVALUATING ENHANCED INFRASTRUCTURE FINANCING DISTRICT AND COMMUNITY REVITALIZATION AND INVESTMENT AUTHORITY PROJECTS
(ALL DISTRICTS)
(3 VOTES)

SUBJECT

The Chief Executive Officer recommends approval of a new Board of Supervisors policy establishing evaluation criteria for proposed Enhanced Infrastructure Financing District and Community Revitalization and Investment Authority projects.

IT IS RECOMMENDED THAT THE BOARD:

Approve the attached Board of Supervisors policy (Board Policy) entitled, Evaluating Enhanced Infrastructure Financing District (EIFD) and Community Revitalization and Investment Authority (CRIA) Projects.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On September 29, 2014, the Governor approved Senate Bill 628, which authorized the formation of an EIFD, and on September 22, 2015, approved Assembly Bill 2, which authorized the formation of a CRIA. EIFDs and CRIAs are limited tax increment financing districts created after the dissolution of redevelopment agencies in early 2012. The County's participation in any such district is voluntary and would require approval of the Board.

Because the County would be a principal contributor of property tax revenue to any EIFD or CRIA, it is expected that many cities within the County may request that the Board of Supervisors (Board) consider participating in an EIFD or CRIA within that city's boundaries. The Board Policy described herein will ensure that the County performs the necessary due diligence prior to any decision whether to participate in an EIFD or CRIA. The Board policy will ensure that no EIFD or CRIA is presented to the Board without first determining that it provides a positive fiscal impact to the County, and is consistent with established Board priorities. Any departure from the Board Policy would need to be justified by overriding considerations related to the merit of the EIFD or CRIA proposal.

The Chief Executive Office (CEO) developed the Board Policy in cooperation with the Economic Development Policy Committee (Policy Committee), which includes representation from each of the five Board Offices. The Policy Committee approved its final content at a meeting on March 23, 2017. The Board Policy was then presented to the Audit Committee and approved by this body on May 18, 2017. The Audit Committee is also managed by representatives from each of the five Board Offices.

FISCAL IMPACT/FINANCING

There will be no fiscal impact to the County resulting from the approval of the proposed Board Policy. There would only be a fiscal impact if the Board were to approve an EIFD or CRIA, and the Policy mandates a very comprehensive review process prior to any recommendations being made to the Board. Furthermore, the Policy contains provisions such that the County may request reimbursement from a proposing city should there be costs associated with the County's review of any EIFD or CRIA proposal.

As part of the Board Policy, the CEO has established specific criteria that will mitigate any financial or budgetary risk to the County. Such criteria include: 1) CEO fiscal analysis demonstrating a positive net impact to the County General Fund; 2) a "But for…" analysis that evaluates whether the County's participation is a necessary pre-condition for the infrastructure projects to be undertaken; 3) a requirement that a city's contribution of property tax in the project must be equal to or greater than the County's contribution; and 4) a requirement that the County cannot contribute 100 percent of its share of property tax. Each of these requirements is intended to protect the County General Fund in the event that an EIFD or CRIA were not to meet its original property tax growth projections.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Both EIFDs and CRIAs were designed to function as tax increment financing districts, which would allow a governmental authority to secure a portion of property tax revenue for the construction of public infrastructure and other capital needs. The structure of these districts would be such that property tax revenue growth above a certain base year would accrue to the benefit of a newly-formed administrative body rather than to the local taxing entities. A key difference between EIFDs and the former redevelopment agencies, however, is that the tax increment given to the new district excludes all property tax associated with school districts, which under redevelopment was backfilled and paid for by the State of California (State). The result is that approximately 50 percent of all property tax increment in any district is not available to the EIFD or CRIA. The largest potential source of property tax increment would no longer be the State, but would instead be the County.

Since the time of their authorization in 2015, there has been only limited interest across the State in forming an EIFD or CRIA. The apparent reason for the lack of progress in EIFD and CRIA formation is that there is not sufficient tax increment to be generated in the absence of State property tax contributions. Local taxing entities forming an EIFD or CRIA can no longer leverage State property tax funding and, therefore, require significantly greater property tax growth to become financially viable. The fiscal analysis included in the Board Policy is designed to ensure that all parties participating in an EIFD or CRIA provide a meaningful property tax contribution to the proposed project. For example, cities that don't contribute a share of property tax equal to at least 15 cents ($0.15) for every dollar ($1.00) of tax increment will only be eligible if there are significant overriding considerations that merit their review and assessment.

Formation process

According to Section 53398.68(a) of the California Government Code, the County, as an affected taxing entity must approve any contribution of property taxes to the proposed EIFD project by a resolution of the Board of Supervisors. Government Code Section 62005(d) similarly requires all taxing entities to adopt a resolution to participate in the proposed CRIA plan, although the resolution may be adopted after the plan is approved by the city. The CEO will conduct its review of any EIFD or CRIA proposal in advance of presenting a resolution to the Board for its consideration.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no anticipated impact on current services or projects.

CONCLUSION

Upon approval of the recommended policy, please provide an adopted copy to the Chief Executive Office, Economic Development/Affordable Housing Unit, Room 754 of the Kenneth Hahn Hall of Administration.

Respectfully submitted,

Sachi A. Hamai

SACHI A. HAMAI
Chief Executive Officer

SAH:JJ:DSB
RM:acn

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Economic Development Policy Committee

Los Angeles County
BOARD OF SUPERVISORS POLICY MANUAL

Policy #:	Title:	Effective Date:
0.000	**Evaluating Enhanced Infrastructure Financing District (EIFD) and Community Revitalization and Investment Authority (CRIA) Projects**	00/00/00

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 motion by Supervisors Mark Ridley-Thomas and Hilda L. Solis.

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 share of property tax increment must equal a minimum of 15 cents ($0.15) for every dollar ($1.00) captured in the EIFD Project Area.

2. 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.

3. The County must not be required to contribute 100 percent of its property tax increment.

4. 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.

5. 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.

6. Any rental housing proposed for the EIFD must allocate a minimum of 20 percent 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.

7. 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 share of property tax increment must equal a minimum of 15 cents ($0.15) for every dollar ($1.00) captured in the CRIA Project Area.

2. 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.

3. The County must not be required to contribute 100 percent of its property tax increment.

4. 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.

5. The proposed CRIA must conform to the statutory requirement that 25 percent of the property taxes generated by the CRIA must be set aside for Low and Moderate Income Housing.

6. Any rental housing proposed for the CRIA must allocate a minimum of 20 percent of all units for affordable housing.

7. 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

DATE ISSUED/SUNSET DATE

Issue Date: **Sunset Date:**