

Smart-Growth Money

New Funding Strategies for Community Improvements



WITH FUNDING FROM



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Smart-growth principles direct our attention to the creation of walkable, mixed-use communities that are sustainable and advance economic and social opportunity. Meanwhile, financial impediments have pushed local governments, nonprofits and developers to be more creative in their approaches to the processes of assembling development funding, incubating small businesses, and training the local workforce for new opportunities.

“Smart-Growth Money: New Funding Strategies for Community Improvements” explores funding tools and strategies that will help local leaders identify funding sources and stretch limited dollars. The case studies suggest innovative ways to successfully navigate financial hurdles.

Access to capital is often a challenge for local efforts to revitalize and enhance communities. Pulling together multiple layers of funding is frequently necessary – capital for community improvements in today’s economy is rarely found in a one-stop shop. And it’s equally true that “one-size-doesn’t-fit-all.” A funding strategy that works for one community may not be right for another. The resources that make one tool effective for a local government may not be accessible or feasible for another.

Furthermore, the situation on the ground – a community’s conditions for smart-growth success – doesn’t stand still. An approach that won’t work today may be possible tomorrow. The economy fluctuates. The evolving regulatory environment for newer strategies can change the calculus on their effectiveness up or down for certain types of projects and activities. New planning concepts, financial instruments and supportive technologies are created. Community demographics, values and imperatives evolve.

The “New Funding Strategies” guidebook identifies and describes current, effective and innovative strategies for achieving objectives associated with implementing desired projects and services across a diverse spectrum of communities.

By assisting local governments and communities in the search for funds for their projects and services, this guidebook aims to not only improve municipal efficiencies and economic vitality, but also enhance the character, livability and wellbeing of communities.

- Read the “New Funding Strategies” guidebook online: lgc.org/new-funding-strategies-guidebook

How the “New Funding Strategies” Guidebook Is Organized

This new guidebook examines 12 funding strategies to spark smart-growth successes in your community. Each chapter describes the tool or strategy, what it will fund and at what scale, the partners and stakeholders involved to acquire the funding, its strengths and limitations as a means to fund projects and programs, illustrative case studies, and resources for more background.

Based on your financing needs, the nature of the project or service you’re looking to fund, your project timeline and available resources, you can evaluate which strategies might best contribute to the success of your efforts.



TOP TOOLS AND STRATEGIES

A wide range of tools and strategies are available to help finance community projects. We have gathered a dozen of the most promising new and evolving strategies, or existing ones being used creatively in a new way, that can support a variety of revitalization, enhancement and new development projects.

- 1 Enhanced Infrastructure Financing Districts
- 2 Affordable Housing and Sustainable Communities Program
- 3 Active Transportation Program
- 4 Tax Credits
- 5 Social Impact Bonds
- 6 Community-Benefit Agreements and Programs
- 7 Community Development Corporations
- 8 Community Development Financial Institutions
- 9 Community Land Trusts
- 10 Business Improvement Districts
- 11 Crowdfunding
- 12 Tactical Urbanism



PROJECT SCALE



As a quick-scan thumbnail, we’ve identified strategies by project scale to help demonstrate the sizes of projects that are capable of being funded with a specific strategy or set of strategies.

- ✱ **Small:** Examples of “small” projects include street furniture, maintenance work, homebuyer assistance, signage and playground equipment.
- ✱ **Medium:** “Medium” projects might encompass smaller affordable-housing projects, neighborhood parks, renovations of community facilities, and childcare facilities.
- ✱ **Large:** These strategies might be used for “large” projects such as highway interchanges, bridges, large affordable housing and mixed-use developments, regional parks and parking garages.

RESOURCES RATING



We’ve also assigned an Easy-Moderate-Complex rating to each strategy, primarily to help you to compare their relative applicability and usefulness to your project’s particular conditions and circumstances.

- ✱ **Easy:** An “easy” strategy requires comparatively fewer resources and/or less expertise. These strategies are typically implemented fairly quickly (perhaps in a few months or less).
- ✱ **Moderate:** “Moderate” strategies require an average amount of resources and/or level of expertise.
- ✱ **Complex:** “Complex” strategies require large amounts of resources and/or significant expertise. These strategies may require a substantial amount of time to set up and implement (ones that typically take 12 months or more).

12 Ways to Get the Money You Need

1 Enhanced Infrastructure Financing Districts

Beginning in January 2015, SB 628 provides local governments another tool to assist communities with their economic-development efforts — Enhanced Infrastructure Financing Districts, or EIFDs. EIFDs can help provide a new revenue source following some of the billions of dollars local governments lost when redevelopment agencies were dissolved in 2012. An EIFD may be created by a city or county to collect tax-increment revenues to finance improvements. Infrastructure projects that can be financed through an EIFD include new construction and rehabilitation. It cannot be used to fund routine maintenance or operation costs.

2 Affordable Housing and Sustainable Communities Program

The California Strategic Growth Council's Affordable Housing and Sustainable Communities Program (AHSC) awards funds, through a competitive application process, for land-use, housing, transportation and land-preservation projects to support infill and compact development that reduces greenhouse gas emissions. Funded by State cap-and-trade emissions-reduction auction proceeds, this program provides a major new source of funding for infill, mixed-use, transit-oriented development and multimodal-transportation infrastructure capital projects and programs.

3 Active Transportation Program

The Active Transportation Program (ATP) was created by the California Legislature to encourage increased use of active modes of transportation, such as biking and walking. The ATP consolidates various federal and state transportation programs into a single program. Program funding is awarded in two stages, beginning with a statewide competition led by Caltrans, and followed by a regional competition led by the MPOs for each region. At least 25% of the funds must benefit disadvantaged communities. Funding is limited to the non-motorized portion of transportation infrastructure.



4 Tax Credits

Tax credits produce capital for a qualified project, and thereby reduce the amount of development cost that needs to be funded through debt or other sources. Tax credits are awarded to a project. The project sponsor then sells these credits to investors, who benefit by using them to directly lower the amount of tax they owe. Some common types of tax credits are geared toward encouraging new markets, low-income housing and historic preservation. It is possible to apply different categories of tax credits to fund a project. For example, a project sponsor could make use of historic preservation and low-income housing tax credits in the same project.

5 Social Impact Bonds

A Social Impact Bond is an innovative financing model where private investors supply capital for projects or programs designed to improve social outcomes and reduce government spending. Target results must be specific and clearly measurable. If the targeted results are achieved, private investors get a financial return, funded by government savings directly realized from the project. Social impact bonds can attract new funding sources for prevention-oriented or intervention-type programs expected to deliver measurable social benefits such as improved physical health (reduced hospital costs), more successful education programs, improved housing conditions and reduced recidivism, thus saving taxpayer dollars in the process.

6 Community-Benefit Agreements and Programs

In exchange for award of a special land use or other incentives, a developer may voluntarily or necessarily enter into an agreement with local government or a community organization to provide specified community benefits. This "Community Benefit Agreement" (CBA) codifies special benefits a developer or company is to receive and provide. CBAs are negotiated on a case-by-case basis. Local governments can also put into place a "Community Benefit Program" (CBP) to confer and extract benefits to and from a real estate developer. A CBP outlines a menu of benefits that a developer or company may apply for in exchange for providing certain benefits to the community that could be pre-established in coordination with community organizations or in accordance with community goals established in an adopted framework such as a General Plan.

NEW FUNDING STRATEGIES FOR SMART-GROWTH SUCCESSSES

7 Community Development Corporations

A Community Development Corporation (CDC) is a nonprofit, neighborhood or community-based organization that can perform a range of economic development functions typically serving lower-income residents or struggling, underserved neighborhoods. Typical CDC functions include creating affordable housing, real-estate development, commercial revitalization, business loans, technical assistance, job training and social services.

8 Community Development Financial Institutions

Community Development Financial Institutions (CDFIs) are private, mission-driven intermediaries that deliver affordable credit, capital and financial services to residents and businesses in minority and economically distressed communities. These communities may not have access to financial services from traditional financial institutions, which is where a CDFI steps in. CDFIs lend to a variety of users, including CDCs and other nonprofits, business owners, real-estate developers and individuals. CDFIs can finance local businesses, affordable-housing and community facilities; offer consumer-banking services (credit unions); or provide loan funds or venture capital. CDFIs use both economic gains and mission-driven contributions made to the local community to evaluate success. There are 81 CDFIs in California.

9 Community Land Trusts

Community land trusts (CLT) are nonprofit organizations that acquires ownership of land to build assets for the community, including the development of affordable housing, commercial districts, and parks and open space. CLTs earn funding from various sources of public and private capital, but tend to rely on grants, federal programs and donations. While CLTs provide funding and support for many different types of community projects, their primary focus has been on long-term housing affordability in low-income communities.



10 Business Improvement Districts

Many communities — large and small — use quasi-governmental entities called “business improvement districts,” or BIDs, to secure funding to foster growth and revitalization of districts. BIDs provide revenue for a variety of improvements and services that supplement or enhance existing municipal services, such as marketing, public safety, enhanced sidewalk and landscaping maintenance, signage, and parking management and improvements.

The two principal types in California are “property-based” and “business-based” improvement districts. More than 200 PBIDs are operating throughout California. Nationwide, more than 2,000 BIDs are being used by communities to support local business enhancements.

11 Crowdfunding

Crowdfunding is a means to collect monetary contributions from a large number of people or sources through an online platform to fund a project or venture. Civic crowdfunding is very flexible in the projects that can be funded. Such projects might include bike racks, community gardens, playgrounds, renovation projects, neighborhood markets, cultural facilities, parks and recreation facilities, social services and conservation-easement purchases. While usually geared toward raising relatively small sums, crowdfunding platforms can help seed larger projects.

12 Tactical Urbanism

Community-led demonstration projects enable residents and stakeholders to participate in relatively inexpensive temporary transformations to test and experience changes. Sometimes referred to as “tactical urbanism,” “placemaking” or simply “pilot projects,” there is a growing number of good examples across the nation, including converting street edges into enhanced bikeways, parking spaces into parklets, vacant lots into community gardens, and off-street parking areas into small plazas or food-vendor courtyards. Temporary, inexpensive projects can have a significant impact and help both the community and local officials envision a new future for a place — and attract funding for permanent improvements.