

# Smart-Growth Money

## New Funding Strategies for Community Improvements



LWC

WITH FUNDING FROM



NOVEMBER 2015



# Acknowledgements

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## **Local Government Commission**

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## **The California Endowment**

# OUR PEOPLE



## RESUMÉ

Founded in 2006  
Over 112 projects including:  
20 housing elements  
20 development codes  
30 working waterfront projects  
17 specific and master plans in California and the U.S.

## DEGREES and CERTIFICATES

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Masters of Business Administration  
M.S. Accountancy  
Juris Doctor  
Registered Architect  
A.I.C.P. Members  
California State Bar Member  
B.A. Economics & Marketing  
B.A. Environmental Studies  
B.A. Political Science  
B.A. Geography  
LEED Accredited Professional  
B.A. Anthropology & Government  
B.A. Environmental Planning & Design  
B.S. Architecture

# OUR CLIENTS



## NATIONAL

City of Austin  
City of Cincinnati  
City of Flagstaff  
City of Las Vegas  
City of Mesa  
City of Westerville

## CALIFORNIA

City of Arroyo Grande  
City of Atascadero  
City of Benicia  
City of Burbank  
City of Eureka  
City of Fontana  
City of Hermosa Beach  
City of Livermore  
City of Lompoc  
City of Long Beach  
City of Los Angeles  
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City of Menlo Park  
City of Merced  
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City of Ojai  
City of Pasadena  
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City of San Luis Obispo  
City of Soledad  
City of Vallejo  
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Alameda County  
Marin County  
Monterey County  
San Luis Obispo County  
San Mateo County Harbor District  
Port District of San Diego  
Port of Long Beach  
Port of Los Angeles  
Port San Luis Harbor District



# AWARDS



## Outstanding Planning Award for Best Practices

California American Planning Association, Central Coast Chapter, 2015 | City of Merced Bellevue Community Plan  
*Project team led by LWC*

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## Charter Award

Honorable Mention, Congress for New Urbanism, 2013 | City of Richmond Livable Corridors Plan  
*Project team led by Opticos Design, Inc.*

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## Outstanding Planning Award for Best Practices

California American Planning Association, Central Coast Chapter, 2011 | City of Grover Beach West Grand Avenue Master Plan  
*Project team led by LWC*

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## Best Public Participation/Education Program Award

Arizona American Planning Association, 2011 | City of Flagstaff Zoning Ordinance Update  
*Project team led by Opticos Design, Inc.*

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## Driehaus Form-Based Codes Award

Form-Based Code Institute, 2008 | City of Benicia Downtown Mixed Use Master Plan and Form-Based Code  
*Project team led by Opticos Design, Inc.*

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## PLANNING

Zoning Ordinances  
Development Codes  
Form Based Codes  
Specific Plans  
Housing Elements  
Affordable Housing Policy  
Community Outreach  
Working Waterfronts

## ECONOMICS

Market Analysis  
Economic Analysis  
Development Entitlements  
Financial Feasibility Studies  
Data Collection  
Funding Mechanisms

Merced Bellevue Community Plan | 2011-2014

Monterey Community Sustainability Plan | 2012-2014

San Luis Obispo Economic Development Strategic Plan | 2012

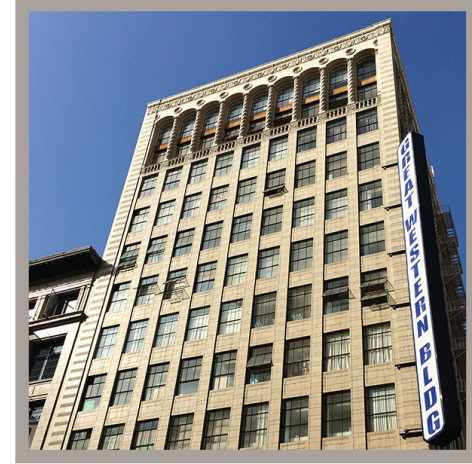
Ashland & Cherryland Business District Specific Plan | 2013-2015



SAN LUIS OBISPO



SAN FRANCISCO



LOS ANGELES

[lisawiseconsulting.com](http://lisawiseconsulting.com) | 805 595 1345



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# AGENDA

- 1 Historic Perspective
- 2 Guidebook Overview
- 3 Example Strategies
- 4 New Directions



# Historic Perspective

# Proposition 13

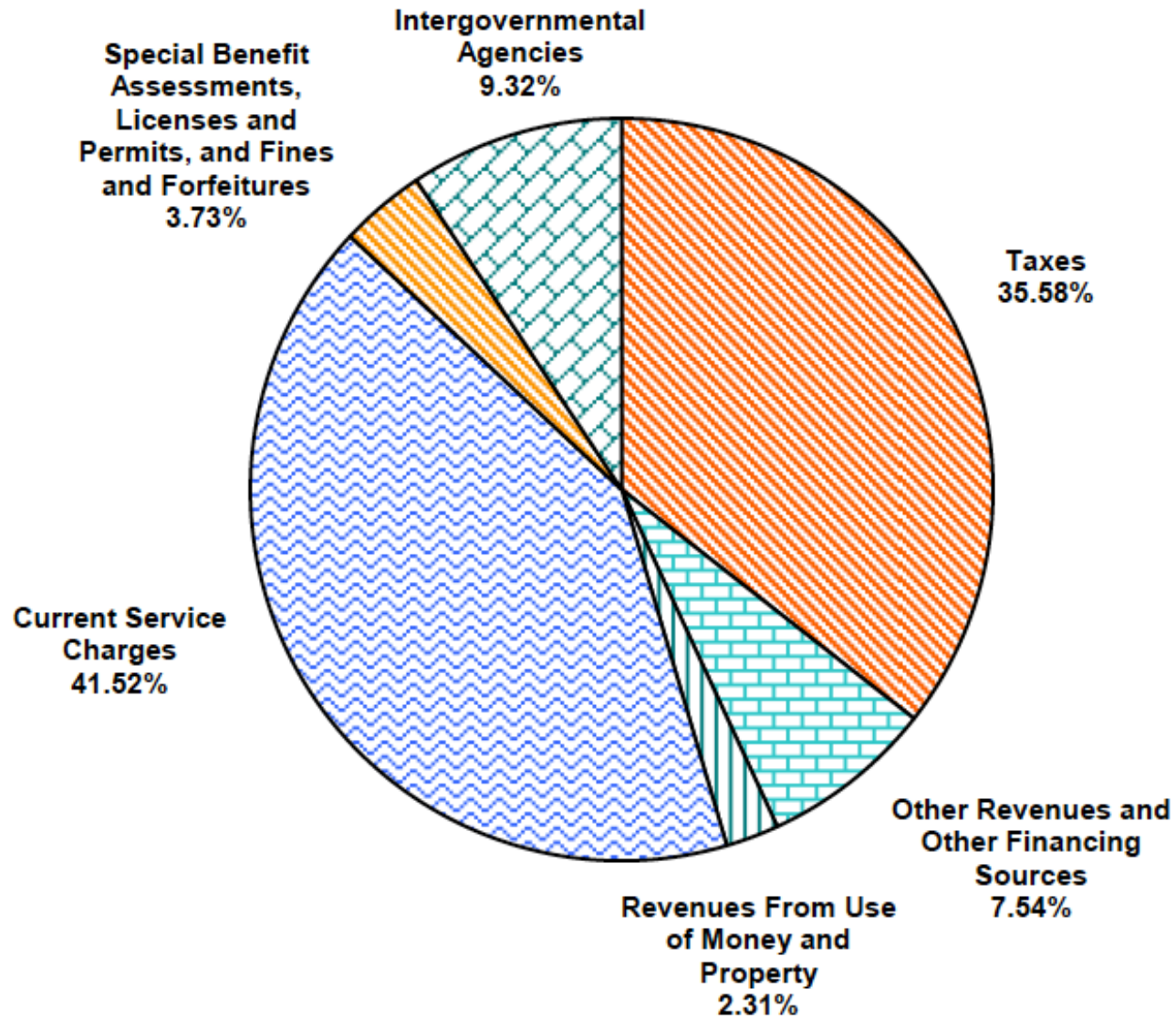
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- In 1978, Prop 13 reduced and limited the property tax base and gave the State control over the allocation of property taxes
- Property tax receipts fell by more than 60%

**Figure 2**

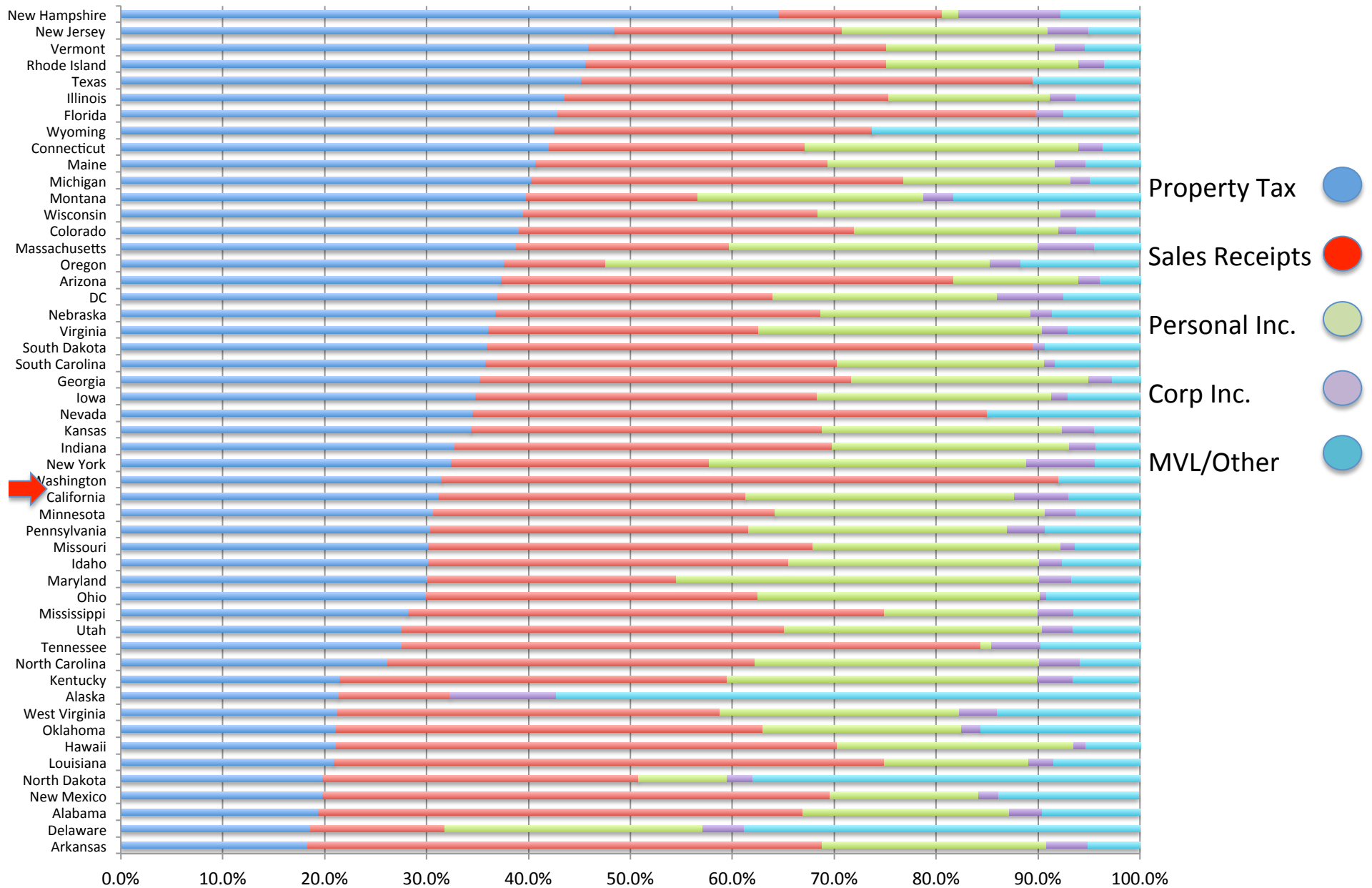
**Total Revenues by Source**

(Excluding the City and County of San Francisco)



Source: Annual Cities Report 2014, California State Controller

# Proportion of Revenues by Type - 2010

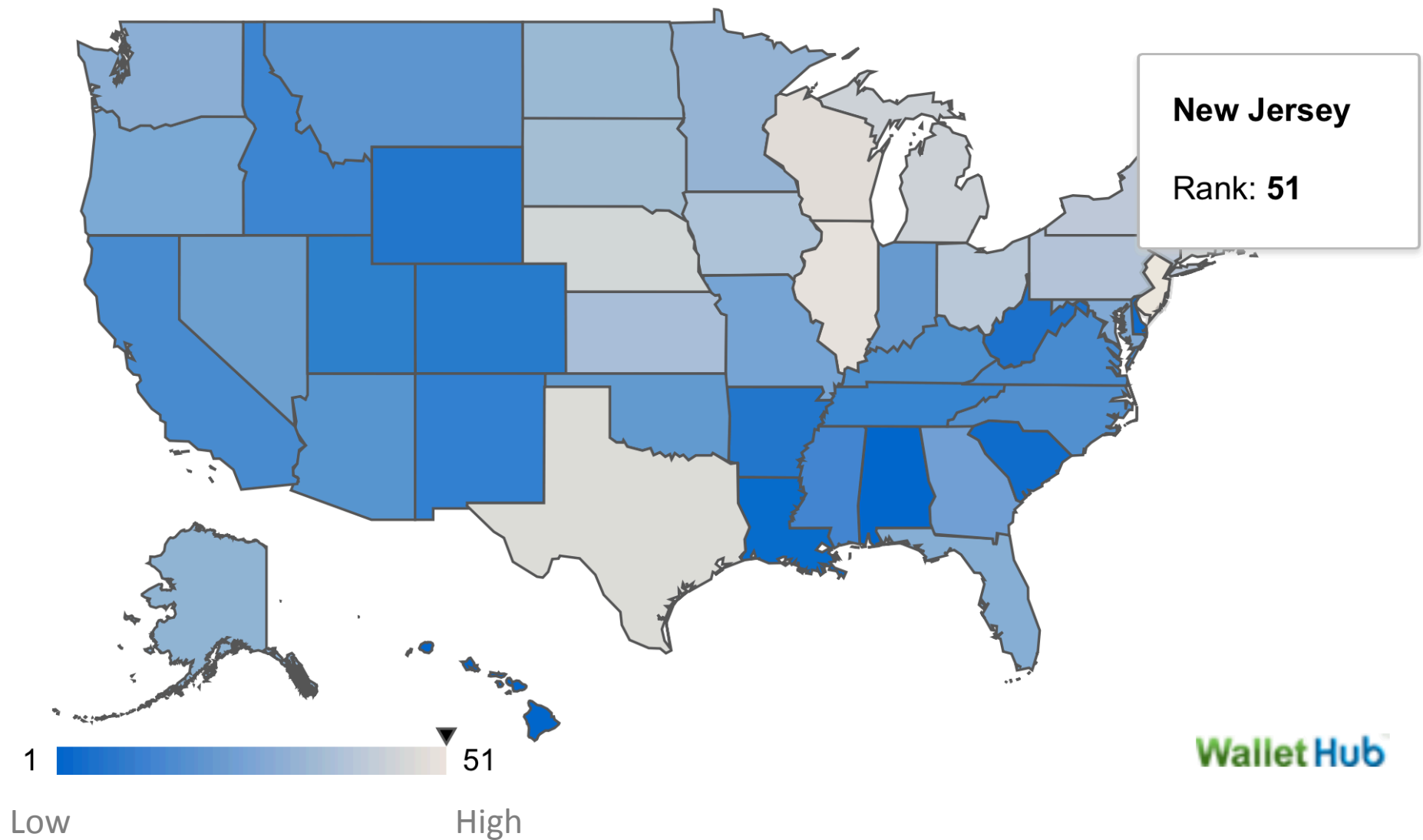






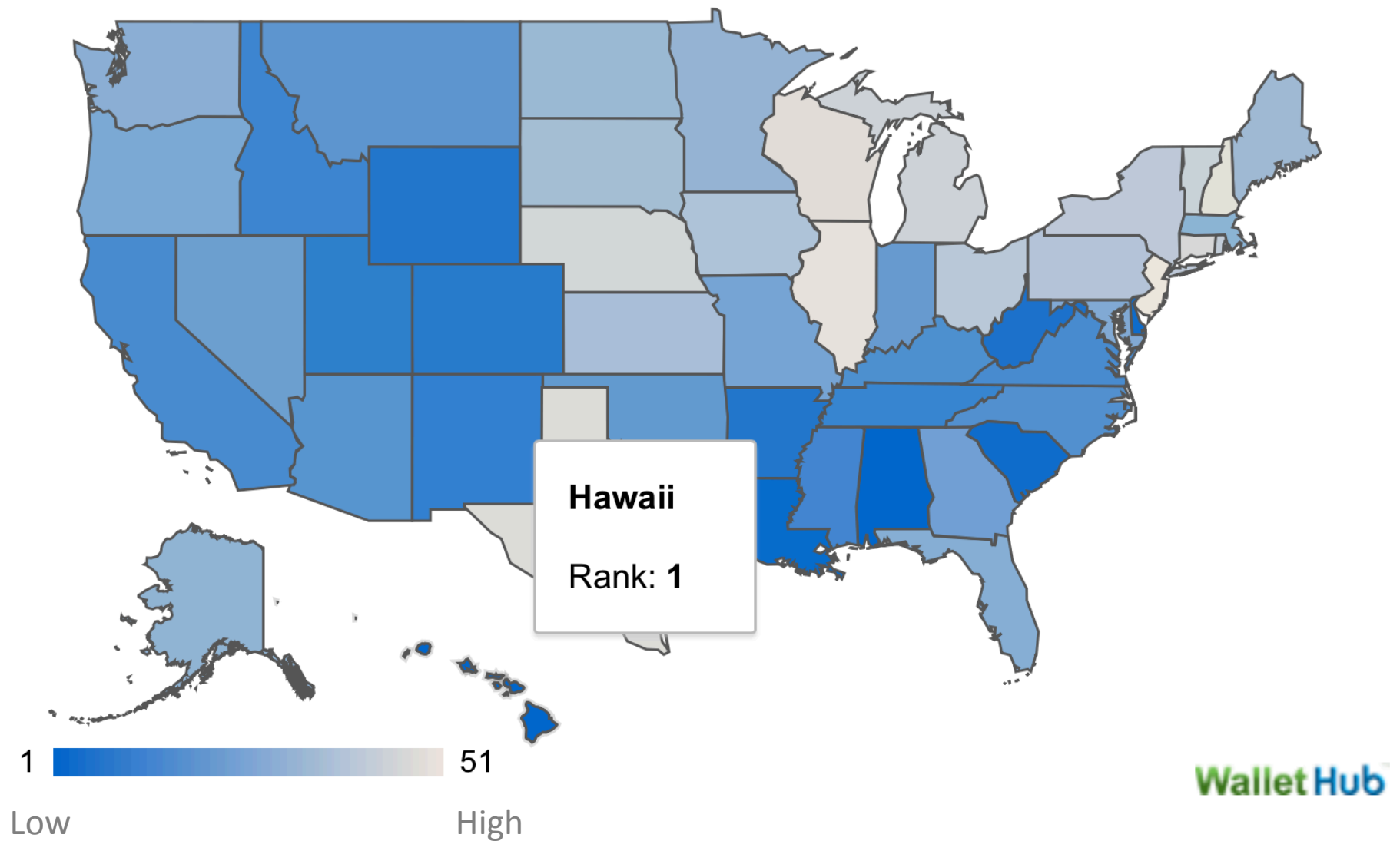
# 2015 Real Estate Tax Ratings

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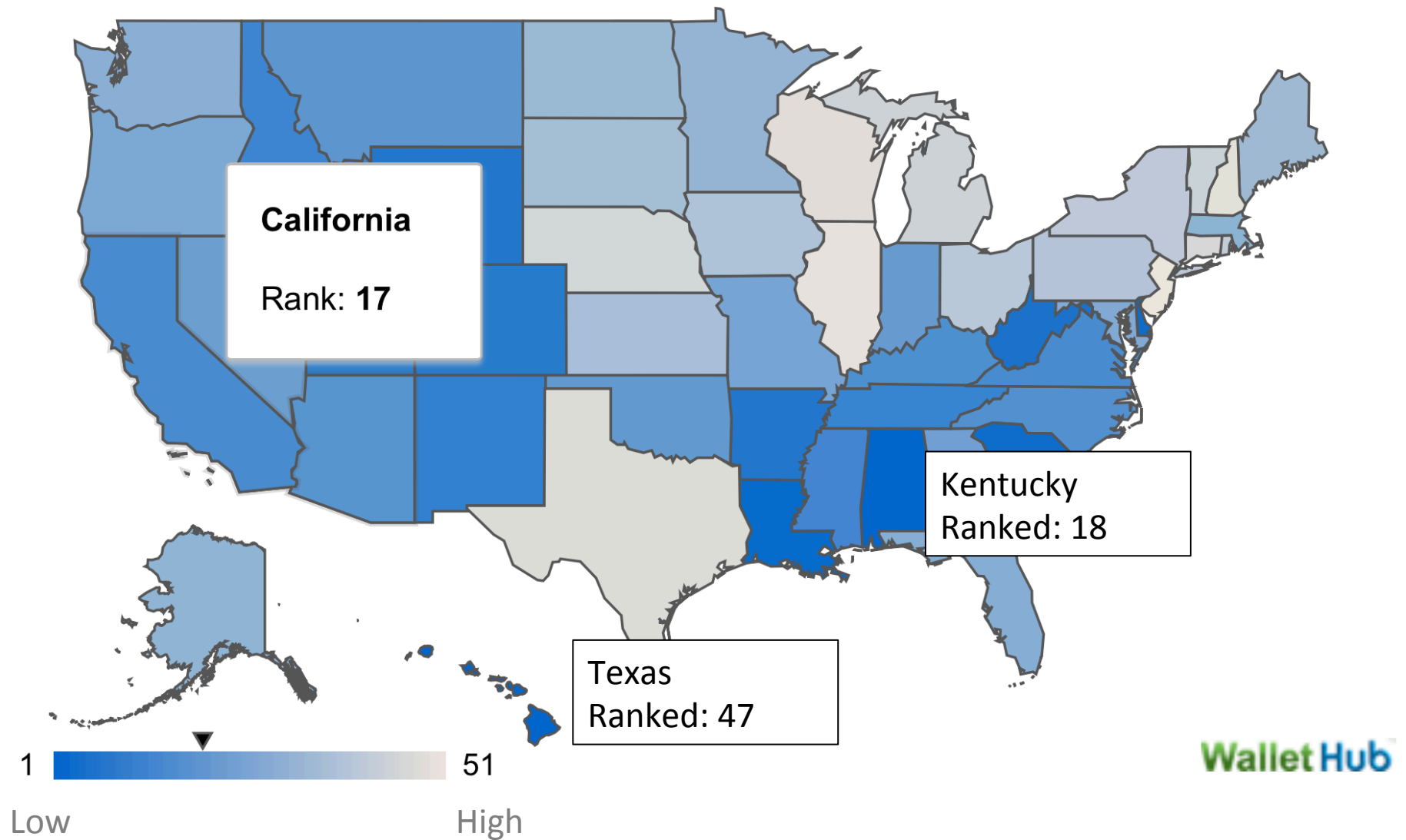
# 2015 Real Estate Tax Ratings

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# 2015 Real Estate Tax Ratings

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# Loss of Redevelopment

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# Loss of Redevelopment

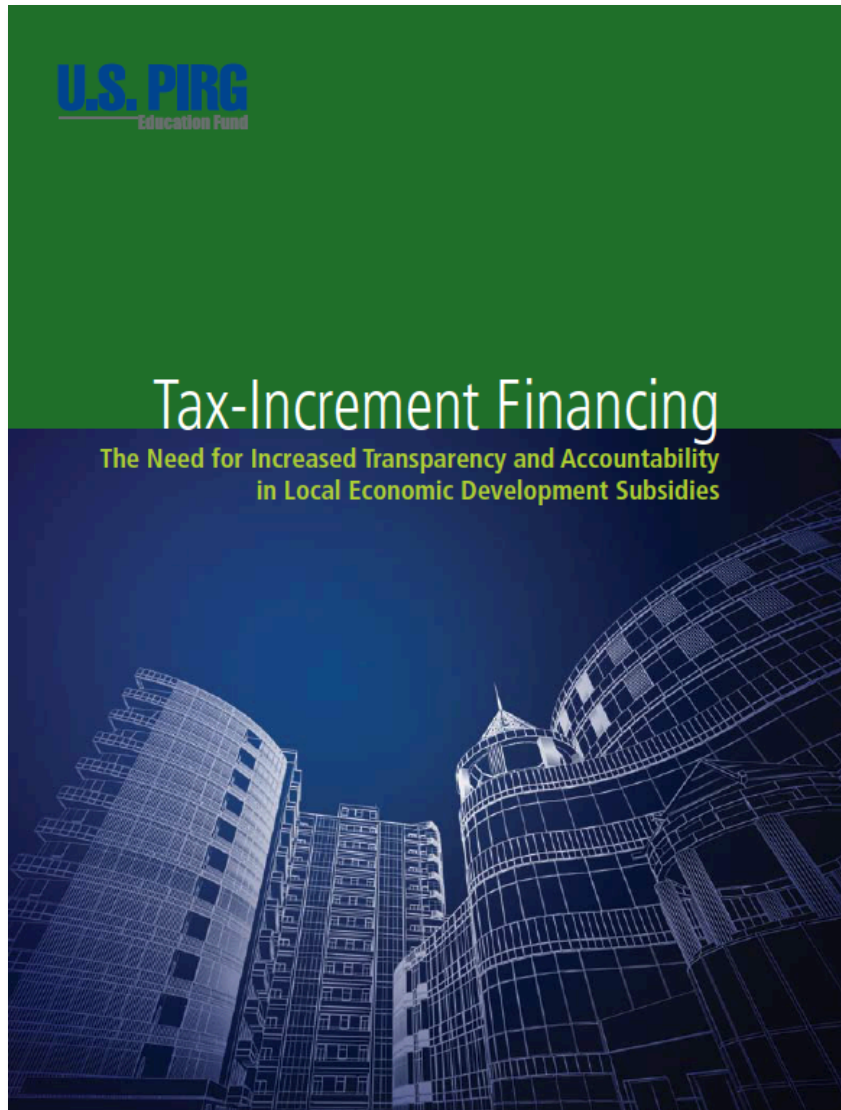
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# Loss of Redevelopment

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- 48 states have tax increment financing

# Guidebook Overview

# Guidebook Purpose

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- + Inform local leaders
- + Provide layered funding strategies
- + Achieve implementation objectives



# Guidebook Contents

## WHAT'S INSIDE



## Introduction

Getting the Money You Need .....	1
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## Top Tools and Strategies

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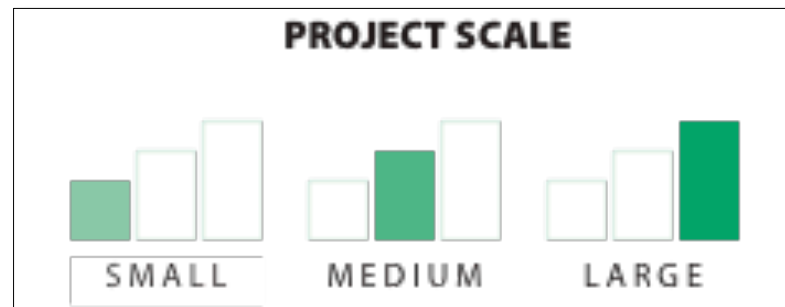
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# User-friendly

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- + Project Scale
- + Resources Rating





# Example Strategies

# Social Impact Bonds

## TOOL 6 Social Impact Bonds

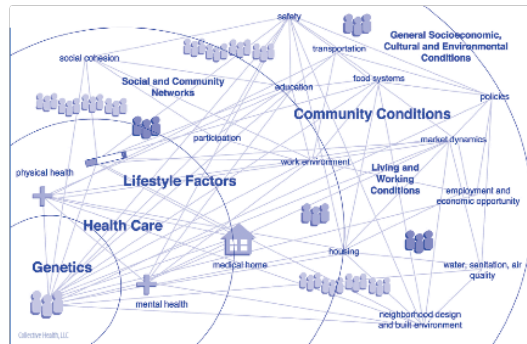
**A** Social Impact Bond – also known as a “Pay for Success” Bond or a “Social Benefit” Bond – is an innovative financing model where private investors supply capital for projects or programs designed to improve social outcomes and reduce government spending.

An intermediary manages the project or program, including the implementing service providers, knowing the government's target results and savings. Target results must be specific and clearly measurable.

If the targeted results are achieved, the intermediary provides a financial return to private investors, funded by government savings directly realized from the project or program.

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.

The potential application for health-focused impact bonds, for example, could be immense. More than three-quarters of annual U.S. healthcare costs – and 7 in 10 deaths – result from chronic diseases that are preventable. (See the Fresno case study for a discussion of the first health-specific social impact bond in the U.S.)



### PROJECT SCALE



### RESOURCES



### FINANCES

Wide range of social issues, including homelessness and recidivism.

### PARTNERS AND STAKEHOLDERS

Combination of private investors, local government and nonprofits.

### STRENGTHS AND LIMITATIONS

#### STRENGTHS

- ✱ Social impact bonds provide fiscal savings for local governments.
- ✱ These bonds leverage government funds.
- ✱ More funds are available for prevention and early intervention.

NEW FUNDING STRATEGIES FOR SMART-GROWTH SUCCESS



## CASE STUDIES

### Repairing Intersections in Portland

**I**n Portland, an initiative to beautify neighborhood intersections with murals and street paintings has inspired similar projects across North America, according to the Smithsonian.

City Repair, a Portland nonprofit, works with residents to convert street intersections into public squares. Intersections remain open to cars but are transformed so that drivers move slowly and expect pedestrians.

Examples of improvements include murals, painted streets, installation of kiosks and community bulletin boards, and reconstruction of intersections with special paving materials. A group of neighbors start the idea, get their community involved, create a design, and install changes.

City Repair helps community volunteers at no charge to navigate the process, work with their neighbors, connect with skilled professionals, and raise funds. Neighbors cover the cost



A painted street in Portland's Belmont neighborhood, along with a metal sidewalk sculpture that reiterates the design.

of project expenses, such as paint and materials. City Repair also helps the group meet City requirements.

The City of Portland allows for intersection-repair paintings by ordinance and offers tips on painting logistics: [cityrepair.org/about/howto/placemaking/intersectionrepair](http://cityrepair.org/about/howto/placemaking/intersectionrepair)

### Random Acts of DIY Results

**T**here is no shortage of success stories to illustrate the potent connection between tactical urbanism and the ability to attract funding or get a good idea implemented permanently. The Smithsonian offers quick snapshots of other projects where do-it-yourselfers have taken their ideas to the streets, literally.

A graduate student walked around downtown Raleigh one night hanging homemade signs on light posts and telephone

poles that had arrows pointing the way to popular downtown destinations, along with average walking times – an act he labeled “guerrilla wayfinding” to promote more walkable places.

A concerned resident painted a crosswalk on a busy street in Baltimore when City officials failed to do so. To make Toronto more wheelchair accessible, a group of volunteers installed colored ramps at more than 400 storefronts.

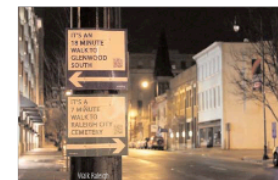
“PARK(ing) Day” is now held every September in hundreds of cities on six continents, with artists and citizens uniting to transform parking spots into mini-parks.

DIY fixes can lead to long-term, funded solutions.

The guerrilla way-finding signs eventually encouraged the City of Raleigh to adopt a new pedestrian plan, and install more official, permanent signs like the pop-up posters.

Baltimore officials heard about the pop-up pedestrian solution in their town, and responded by adding two stop signs and three official crosswalks in its place.

In Memphis, a temporary beer garden at an abandoned brewery was such a hit it attracted private investment – a developer is going to revitalize the historic site into vibrant mixed-use space.



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# Social Impact Bonds Case Study: Richmond

## TOOL 6. SOCIAL IMPACT BONDS



### CASE STUDIES

#### Richmond Targets “Zombie” Blight with Social Impact Bonds

In June 2015, the Richmond City Council voted to issue up to \$3 million in social impact bonds to purchase, rehabilitate and sell blighted properties.

The effort targets “zombie properties” — those that the private sector has walked away from because they are so dilapidated and distressed that it is cost-prohibitive to undertake rehabilitation. There are an estimated 1,000 boarded-up, abandoned houses in Richmond, and each one costs the City about \$7,000 annually in clean-up and police response to crime — amounting to about \$7 million citywide each year.



The Richmond Community Foundation is facilitating the program from acquisition to sale of the properties. Local contractors will be sought to perform the renovation work and hire workers through the City's RichmondBUILD job-training program — helping to keep money and employment opportunities in the community.

Families participating in SparkPoint Contra Costa, a financial literacy program, will be given the first opportunity to purchase the homes through SparkPoint's First Time Home Buyer program, which helps remove barriers for middle- and low-income potential homebuyers through counseling, improved access to resources and financial advice.

City revenues will not be used, and the bonds are paid solely from the revenues generated from the sale of the rehabilitated houses. The bonds are intended for social-impact investors less concerned with maximizing risk-adjusted returns than in using their capital for public benefit.



“This program will accomplish the important task of acquiring and rehabilitating distressed homes in order to improve neighborhoods and provide safer and more affordable housing for Richmond residents,” said Mayor Tom Butt. “The City will, as a whole, benefit from the practice of social-impact investing because the bonds are paid solely from the revenues generated from the sale of the rehabilitated properties.”

The program was originally proposed by John Knox of Omick, Hemmington & Sutcliffe, LLP, who is providing pro bono legal support for the project. Home Depot has also recently agreed to provide assistance to the program.

The Richmond bond is a great example of cross-sector collaboration in which private for-profit companies, governments and nonprofits join forces to tackle stubborn social problems.

- ❖ Potential benefits make the bond politically attractive.
- ❖ A third-party investor bears the risk.
- ❖ Independent evaluation improves transparency in government spending.
- ❖ Investors and servicers have an incentive to be as effective as possible. The bigger impact, the larger the repayment they will receive.
- ❖ Ongoing evaluation of program impacts accelerates the rate of learning about effective approaches.
- ❖ These bonds help reposition government spending toward programs and approaches that work.

#### LIMITATIONS

- ❖ Social impact bonds are an expensive method of operating social programs.
- ❖ These bonds reduce public responsibility for social services.
- ❖ The community may not want certain investor and donor influences over local social programs.

- ❖ Donors will seek to fund programs that can be more easily observed and measured. More complex structural problems — harder to quantify — may be unable to access these funds. Thus, the terms of these instruments may be set to overpay for more readily achievable goals. And long-term problems are not financed.

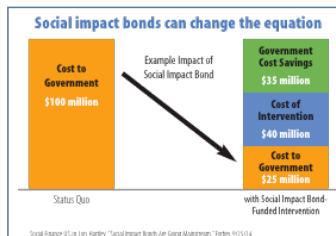
#### OTHER METRICS

Fiscal savings that result from successful and efficient programs.

#### LEARN MORE

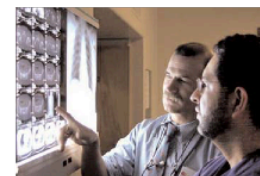
To learn more about using social impact bonds in your city:

- ❖ Center for American Progress, [cdn.americanprogress.org/wp-content/uploads/issues/2011/02/pdf/social\\_impact\\_bonds.pdf](http://cdn.americanprogress.org/wp-content/uploads/issues/2011/02/pdf/social_impact_bonds.pdf)
- ❖ Social Finance, [socialfinanceus.org/sites/socialfinanceus.org/files/small.SocialFinanceWPSingleFINAL.pdf](http://socialfinanceus.org/sites/socialfinanceus.org/files/small.SocialFinanceWPSingleFINAL.pdf)



*“I’m excited about the opportunity to build public health and prevention into an economic model.”*

— U.S. EPA Administrator Gina McCarthy



## TOOL 6. SOCIAL IMPACT BONDS

# Enhanced Infrastructure Financing District (EIFD)

## TOOL 1

### Enhanced Infrastructure Financing Districts

Beginning in January 2015, California local governments have another tool to assist communities with their economic-development efforts — Enhanced Infrastructure Financing Districts, or EIFDs (Senate Bill 628). Now part of the California Government Code (§53398.50-53398.88), EIFDs can help replace some of the billions of dollars that cities 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. Entities participating in an EIFD can include cities, counties and special districts, but not schools.

Participating entities are critical to an EIFD's success as they must voluntarily agree to allocate their tax increment to the EIFD. One or more EIFDs may be created within a city or county, and an EIFD may include properties that are not contiguous. No vote is required to form an EIFD. However, issuance of bonds requires approval by a 55% majority of voters or landowners (if fewer than 12 persons are registered to vote, then the vote is by landowners).

Infrastructure projects that can be financed through an EIFD include new construction and rehabilitation. Facilities don't need to be located within the EIFD boundaries, but they must have a tangible connection to the EIFD's work as detailed in its infrastructure financing plan. An EIFD cannot be used to fund routine maintenance or operation costs.

#### Another Tax-Increment Financing Mechanism Now Available

In addition to EIFDs, "Community Revitalization Investment Authorities" (CRIAs) have recently been enabled to fund certain projects through bonds issued by the use of tax-increment financing. CRIAs are allowed by Assembly Bill 2, which was signed into law in September 2015. AB 2 allows specified disadvantaged areas of California to create a CRIA, which would use property taxes and other available funding to improve infrastructure, expand job opportunities, reduce crime, clean up hazardous waste sites, and promote affordable housing.

While there are similarities between CRIAs and EIFDs (both use tax-increment financing), different State law provisions enable and regulate CRIA and EIFDs. For example, CRIAs may only carry out projects in areas where the annual median income is less than 80% of statewide annual median income, and are required to set aside 25% of all allocated taxes for low- and moderate-income housing. EIFDs are not subject to such requirements.

An infrastructure financing plan must be adopted before a city or county forms an EIFD. An EIFD is governed by a public financing authority, consisting of members from the city or county legislative body, participating taxing entities, and the public.

#### WHAT THEY FUND

Enhanced Infrastructure Finance Districts can finance a broad range of projects:

- ✱ Highways, interchanges, ramps and bridges, arterial streets, parking and transit facilities.
- ✱ Sewage treatment, water reclamation plants and interceptor pipes.

- ✱ Facilities to collect and treat water for urban uses.
- ✱ Flood control levees and dams, retention basins and drainage channels.
- ✱ Childcare facilities.
- ✱ Libraries.
- ✱ Parks, recreational facilities and open space.
- ✱ Facilities for the transfer and disposal of solid waste, including transfer stations and vehicles.
- ✱ Brownfield restoration and other environmental mitigation.
- ✱ Development of projects on a former military base, consistent with approved base-reuse plans.

#### TOOL 1: ENHANCED INFRASTRUCTURE FINANCING DISTRICTS

- ✱ Repayment of the transfer of funds to a military-base reuse authority pursuant to Government Code §67851 that occurred on or after the creation of the EIFD.
- ✱ Acquisition, construction or repair of industrial structures for private use.
- ✱ Transit priority projects, as defined under Public Resources Code §21155, that are located within a transit-priority project area.
- ✱ Projects that implement a sustainable communities strategy.
- ✱ Housing units and on-site facilities for childcare, after-school care and social services within mixed-income housing developments. The housing units must remain affordable to low- or moderate-income households for the longest feasible time, but for not less than 55 years for rental units and 45 years for owner-occupied units.

#### PROJECT SCALE



#### RESOURCES



#### LIMITATIONS

- ✱ An EIFD reserve will most likely be required prior to bond issuance.
- ✱ Tax-increment increases over time as the assessed value of property in the district increases, so the ability to issue a bond and repay debt service in the short term may be limited.
- ✱ Because it is a new funding tool, more education about the EIFD will likely be necessary.
- ✱ The process of forming an EIFD can be lengthy and costly.
- ✱ City and County participation in the EIFD is important to maximize leverage capacity.

#### PARTNERS AND STAKEHOLDERS

Cities and counties are key partners in forming an EIFD. Special districts — excluding schools — may be participating entities. Similar to a Business Improvement District (Tool 10), it is important to first assess whether an EIFD is an appropriate funding strategy for your community through education and outreach, particularly focused on special districts.

It is anticipated that cities and counties will require consultants who are experienced in EIFDs to assist in both the education and subsequent formation of an EIFD.

#### Tax-Revenue Distributions – Key to EIFD Success

The distribution of property-tax revenue by each county to schools, cities and special districts varies and should be evaluated when considering an EIFD. This distribution should be taken into account when evaluating the viability and level of bonding capacity. Check out the table at [boe.ca.gov/annual/2013-14/table\\_14/table15\\_2013-14.pdf](http://boe.ca.gov/annual/2013-14/table_14/table15_2013-14.pdf), which shows the allocation of property-tax revenue throughout California by county.

#### STRENGTHS AND LIMITATIONS

##### STRENGTHS

- ✱ EIFDs can fund large projects.
- ✱ No public vote required to initially form an EIFD.
- ✱ Projects create a multiplier effect for future tax revenues.

#### LEARN MORE

Learn more about creating an Enhanced Infrastructure Financing District:

- ✱ California Economic Summit, "A How-To Guide for Using New EIFDs." [caifvd.app.box.com/s/p8x0h7s6vkhm1st2uwq](http://caifvd.app.box.com/s/p8x0h7s6vkhm1st2uwq)
- ✱ League of California Cities, Analysis of SB 628 (EIFD), [cacties.org/CMSPages/GetFile.aspx?nodeguid=d8e42eca-7647-4f12-98d4-e93383abc48&lang=en-US](http://cacties.org/CMSPages/GetFile.aspx?nodeguid=d8e42eca-7647-4f12-98d4-e93383abc48&lang=en-US)

# Enhanced Infrastructure Financing District (EIFD)

## TOOL 1. ENHANCED INFRASTRUCTURE FINANCING DISTRICTS

### CASE STUDIES

*PLEASE NOTE: Since EIFD legislation is still relatively new, the following case studies highlight a couple of areas where EIFDs are being analyzed and considered.*

#### Revitalizing Infrastructure: West Sacramento Bridge District IFD

**A**fter the dissolution of redevelopment agencies and prior to EIFD legislation, the City of West Sacramento established an IFD for the Bridge District, which was undergoing a revitalization effort originally intended to be funded through the [redevelopment agency].

In contrast to EIFDs, an IFD requires voter approval to be formed, requires a two-thirds vote for issuing bonds, has a 30-year term (EIFDs have a 45-year term after bond issuance), and can finance fewer types of facilities.

The redevelopment of the Bridge District includes rail removal, demolition, new roads, streetscape improvements, utilities and a water storage tank (top-middle photo) at a cost of over \$60 million.

The Bridge District IFD took about eight months to form, and its startup costs were approximately \$100,000. A Community Facilities District was formed concurrently with the IFD to provide funding for maintenance of the infrastructure improvements.

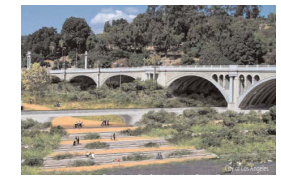
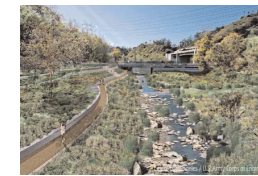
Due to the success of the Bridge District IFD, the City is now in the process of analyzing and forming a community-wide EIFD.



SMART-GROWTH MONEY: NEW FUNDING STRATEGIES FOR COMMUNITY IMPROVEMENTS

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## TOOL 1. ENHANCED INFRASTRUCTURE FINANCING DISTRICTS



### CASE STUDIES

#### A River Runs Definitely through It: The Los Angeles River Project

**T**he Los Angeles River Revitalization Master Plan identifies an estimated \$1 billion worth of river projects, such as widening bridges, restoring wetlands, cleaning up industrial waste, and acquiring privately held parcels ([lariver.org/Projects/MasterPlan](http://lariver.org/Projects/MasterPlan)).

The City is discussing the use of an EIFD to fund these and other projects, including workforce housing, along the LA River. Properties adjacent to the river could be included in an EIFD; however, since the 51-mile stretch of river crosses multiple

jurisdictional boundaries, it would be difficult to establish a river-wide EIFD.

The City may consider forming multiple, smaller EIFDs as pilot districts. This approach was emphasized by the Los Angeles Business Council Institute in its report on "LA's Next Frontier: Capturing Opportunities for New Housing, Economic Growth, and Sustainable Development in LA River Communities."

SMART-GROWTH MONEY: NEW FUNDING STRATEGIES FOR COMMUNITY IMPROVEMENTS

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## Enhanced Infrastructure Financing District (EIFD)

- Senate Bill No. 628
- Approved by the Governor September 2014
- May be created within a City or County to finance the construction or rehabilitation of infrastructure and facilities

# Enhanced Infrastructure Financing District (EIFD)

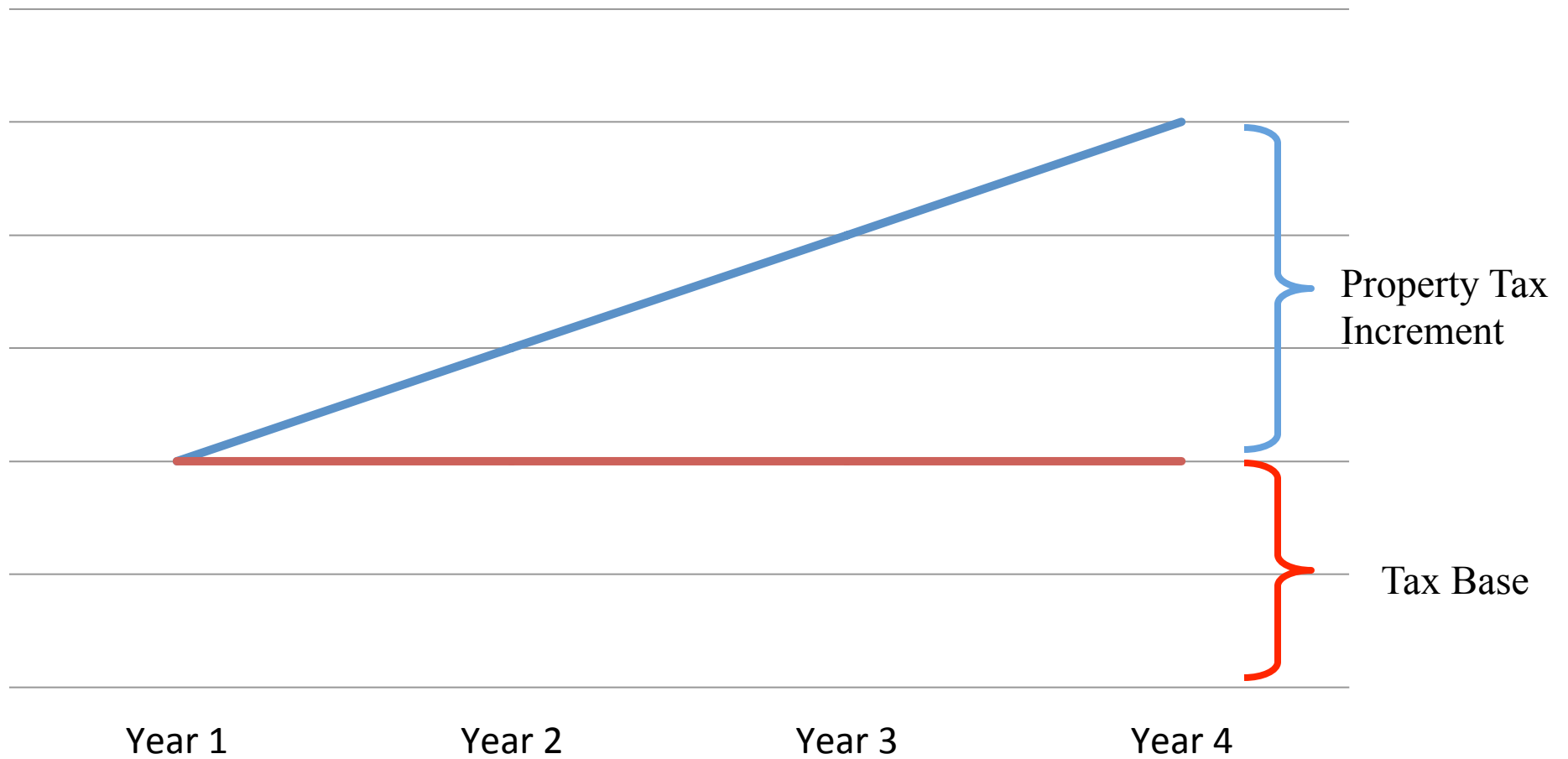
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What they can finance:

- Highways, bridges, streets, parking and transit facilities
- Transit priority projects, as defined under Public Resources Code §21155, that are located within a transit-priority project area
- Sewage treatment plants
- Water collection and treatments facilities
- Flood control levees, dams, and retention basins
- Libraries
- Parks and open space
- Brownfield restoration
- Acquisition, construction or repair of industrial structures for private use
- Projects that implement a sustainable communities strategy
- Affordable housing units
- Childcare facilities



## EIFD are TIF Districts



## Enhanced Infrastructure Financing District (EIFD)

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- Primary participants are cities, counties and special districts
- Each public agency must agree to the amount of tax increment they will contribute
- EIFDs cannot take revenue from K-12 school districts and community college districts

# Enhanced Infrastructure Financing District (EIFD)

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IFD (1990)	EIFD (2014)
Required 2/3 of voters to create and to bond	Requires no vote to create and 55% to bond
Allowed to exist for 30 years	Allowed to exist for 45 years from date of issuance of bonds
City Council was the governing body	Separate authority is the governing body

# Enhanced Infrastructure Financing District (EIFD)

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## Steps to create an EIFD:

- Adopt resolution of intent to form an EIFD
- Create an EIFD authority
- Develop an infrastructure financing plan

# New Directions + Emerging Strategies

# New Directions + Emerging Strategies

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- Tax- and Revenue-Sharing
- Land Value Tax
- High Speed Rail
- Fees on Insurance



## Questions + Comments

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# Thank you!



Local Government Commission



Lisa Wise Consulting, Inc.



California Endowment