

Smart-Growth Money

New Funding Strategies for Community Improvements



LWC



WITH FUNDING FROM



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Acknowledgements



Local Government Commission

Josh Meyer

Dave Davis



Lisa Wise Consulting, Inc.

Lisa Wise, AICP

Menka Sethi

Jen Daugherty, AICP



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.

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Masters of City and Regional Planning
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
- City of Malibu
- City of Menlo Park
- City of Merced
- City of Monterey
- City of Morro Bay
- City of Ojai
- City of Pasadena
- City of Rancho Cucamonga
- City of Richmond
- City of San Luis Obispo
- City of Soledad
- City of Vallejo
- City of Tehachapi
- 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

Charter Award

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

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

Best Public Participation/Education Program Award

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

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.

LWC



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



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AGENDA

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

Historic Perspective

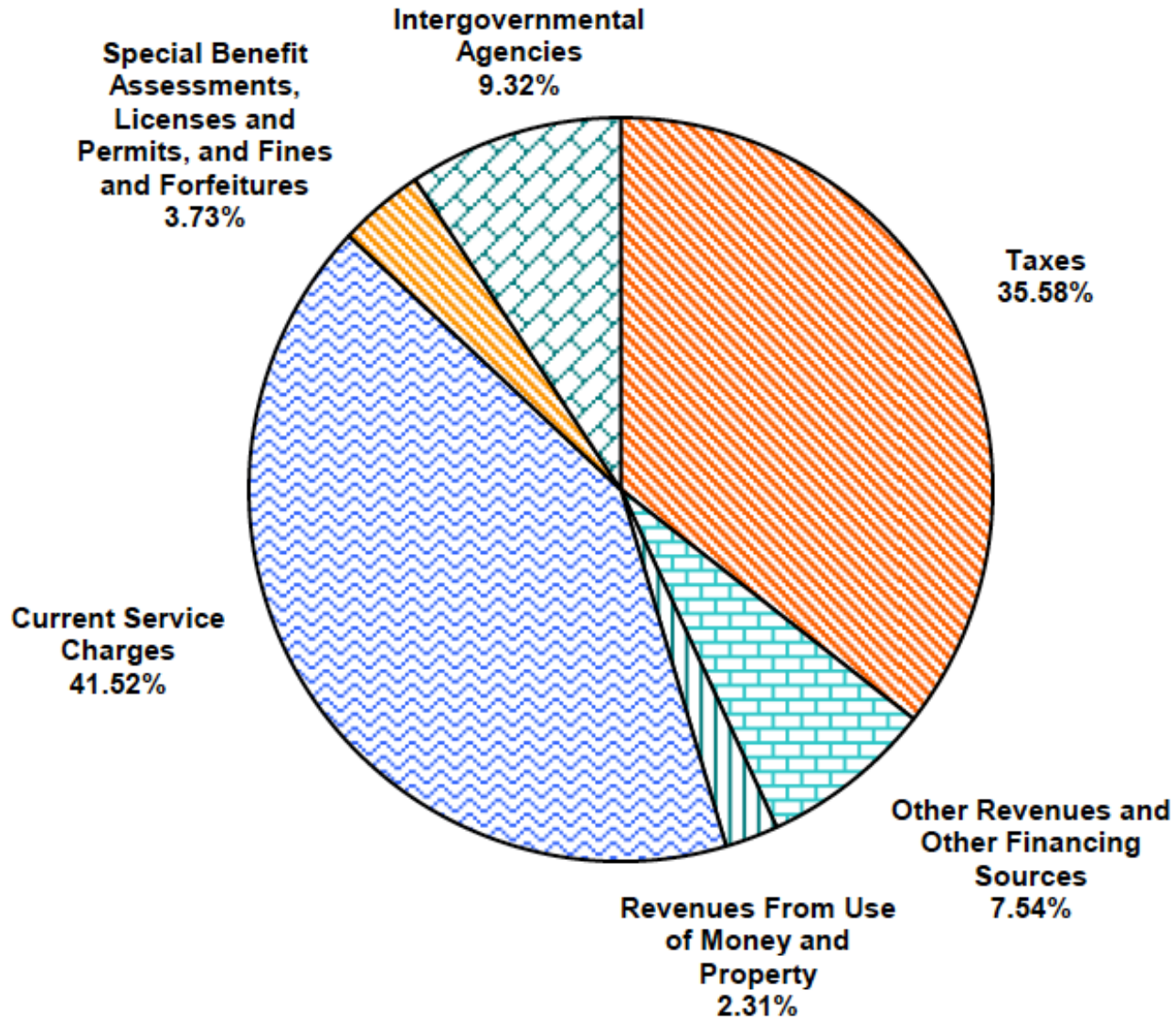
Proposition 13

- 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

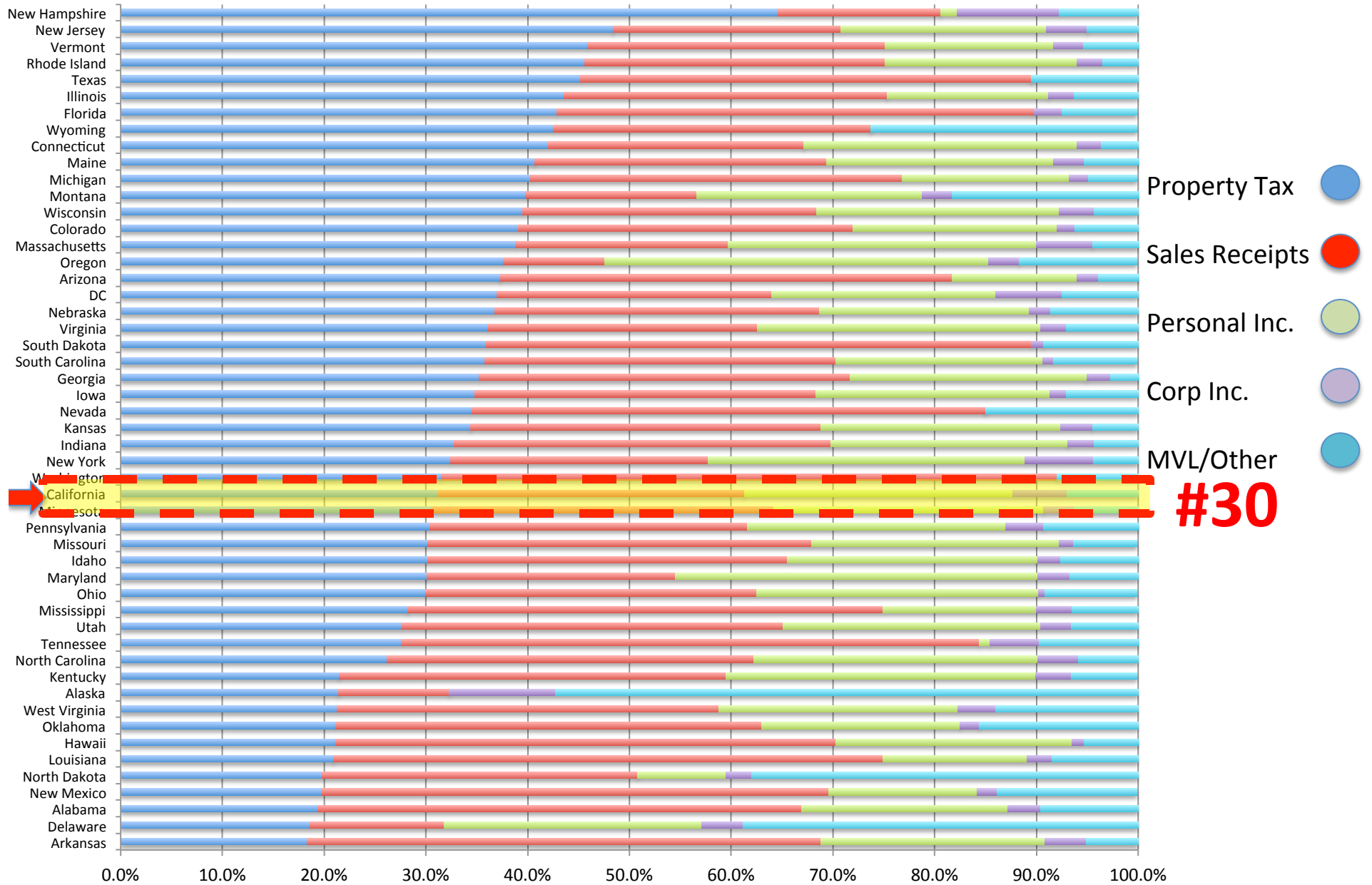
Total Revenues by Source

(Excluding the City and County of San Francisco)



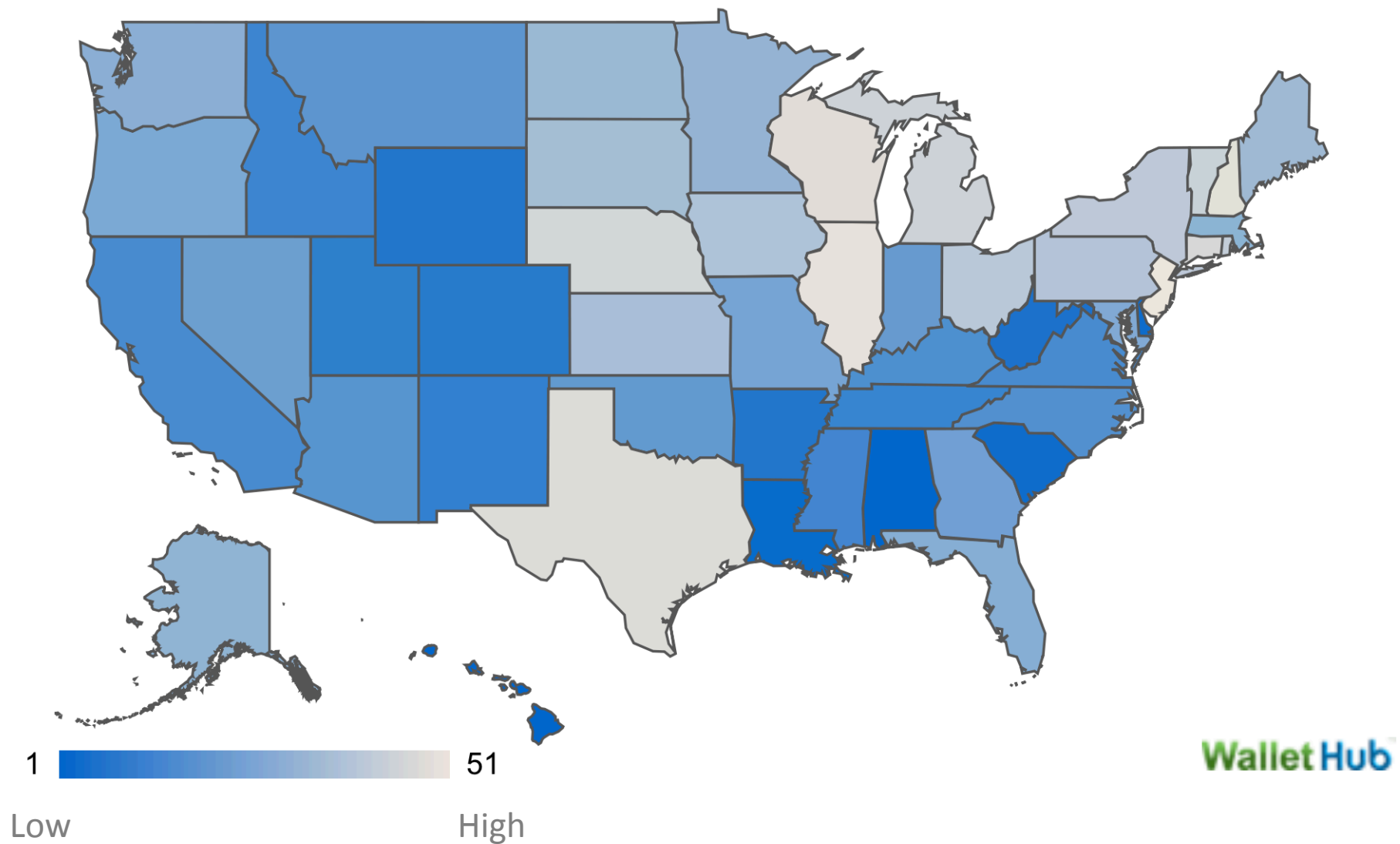
Source: Annual Cities Report 2014, California State Controller

Proportion of Revenues by Type - 2010

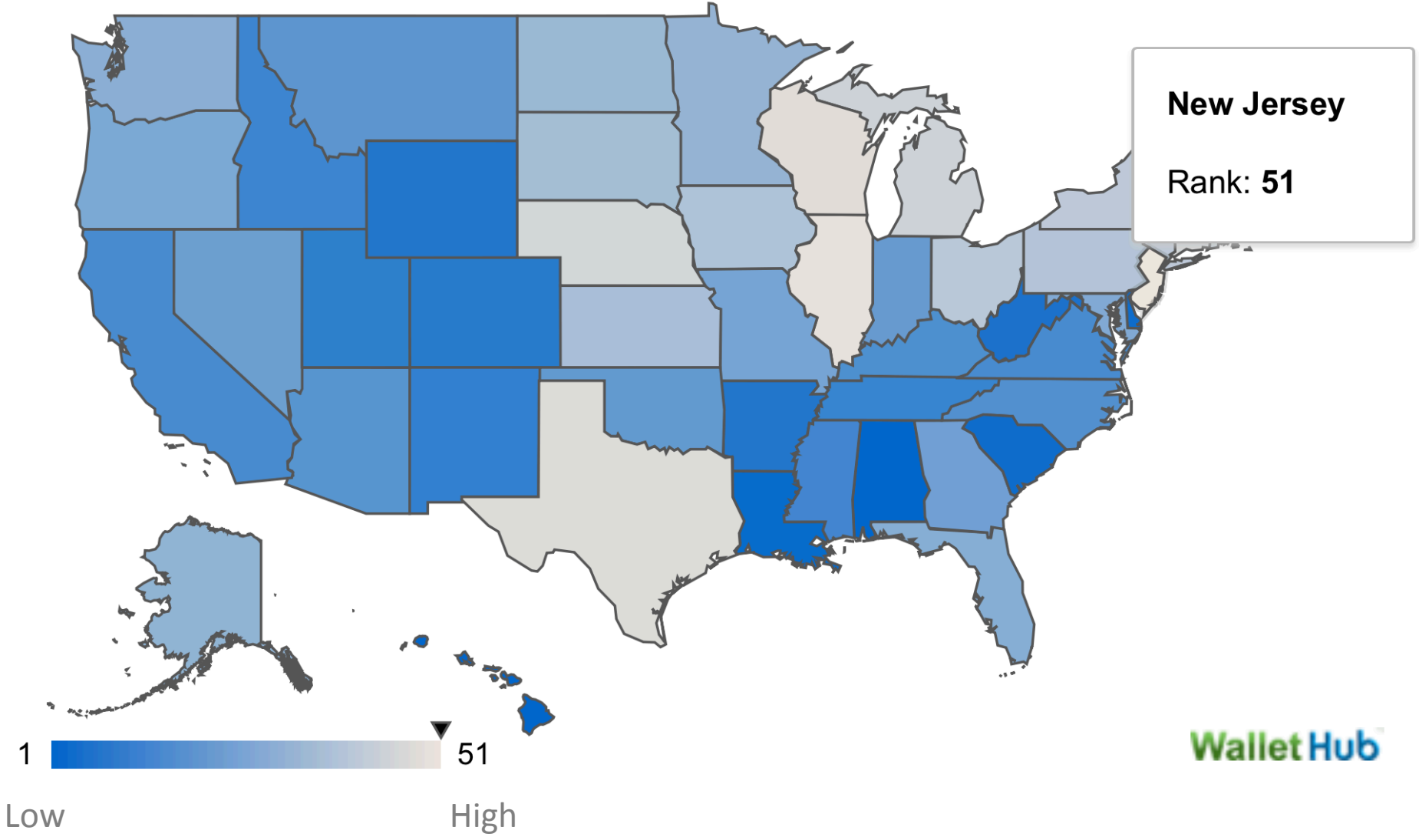


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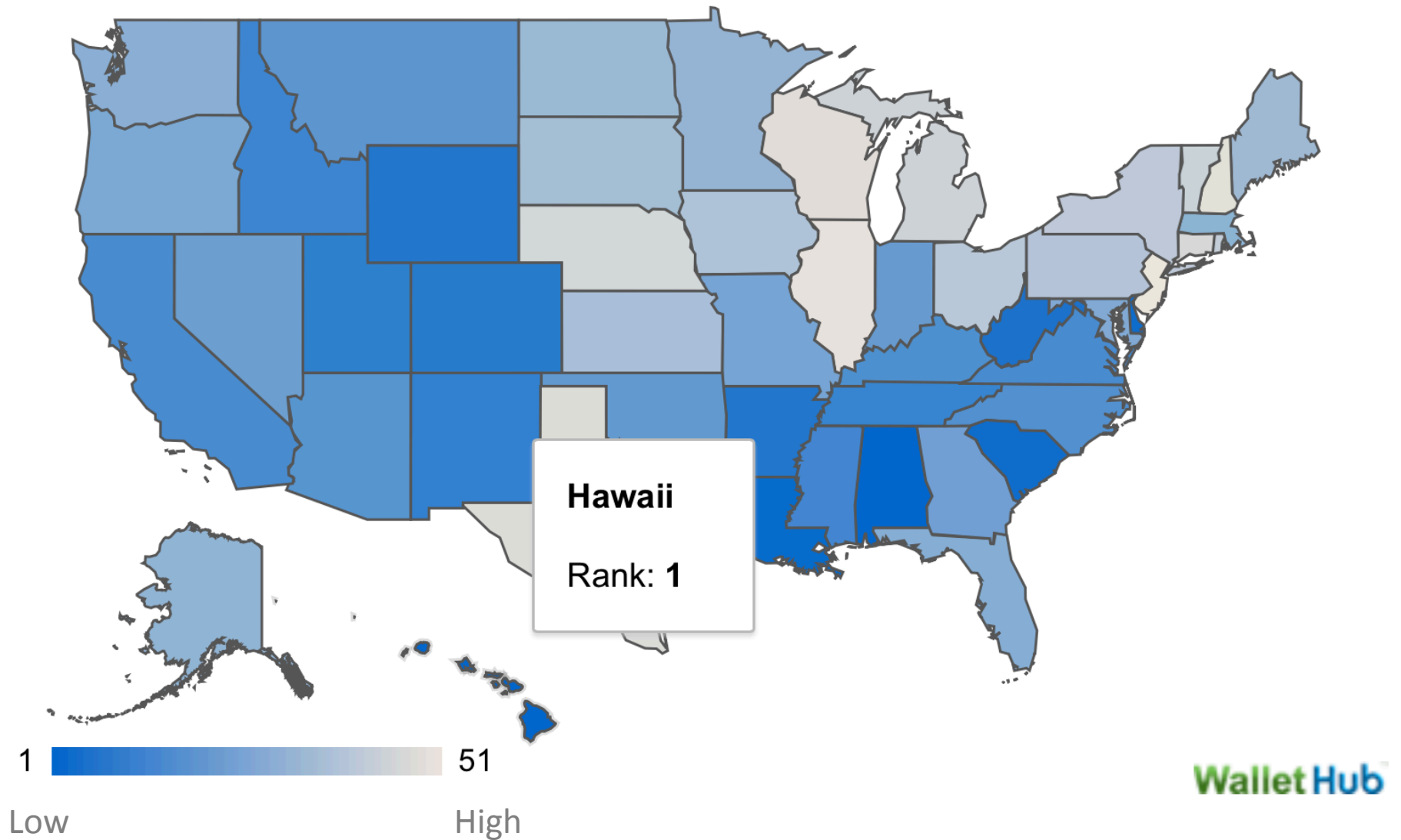
2015 Real Estate Tax Ratings



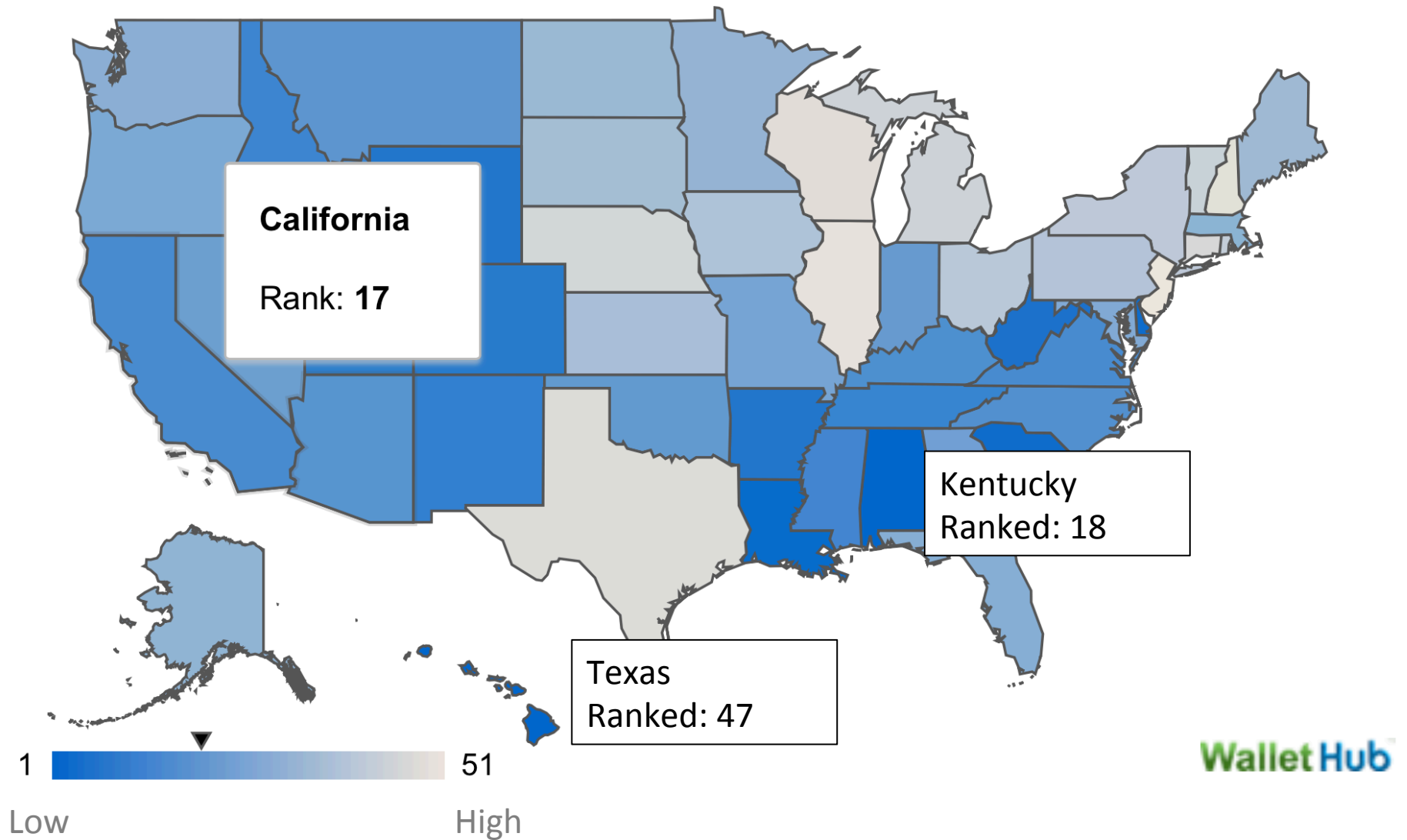
2015 Real Estate Tax Ratings



2015 Real Estate Tax Ratings



2015 Real Estate Tax Ratings



Loss of Redevelopment



Loss of Redevelopment



Guidebook Overview

Guidebook Purpose

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



Guidebook Contents

WHAT'S INSIDE



Introduction

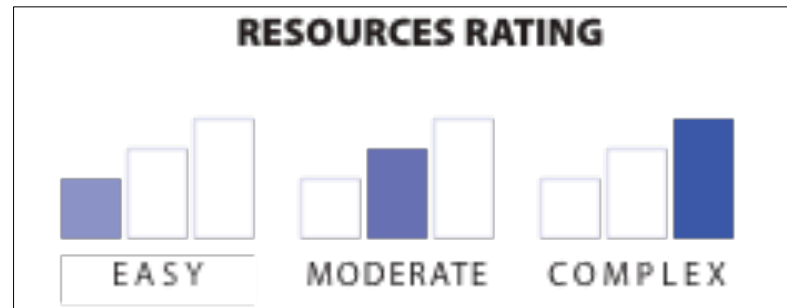
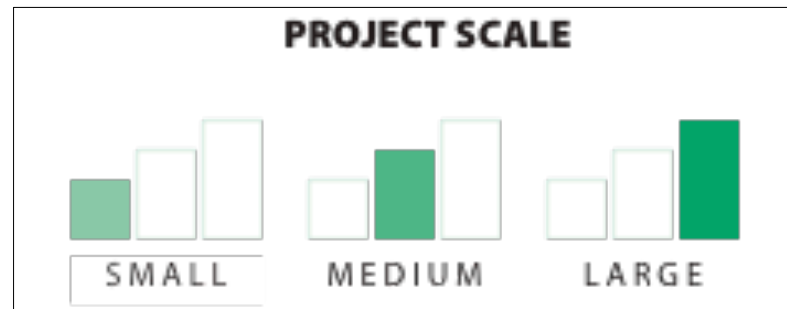
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User-friendly

- + Project Scale
- + Resources Rating



Example Strategies

Community Development Corporation (CDC)



Community Development Corporation (CDC)



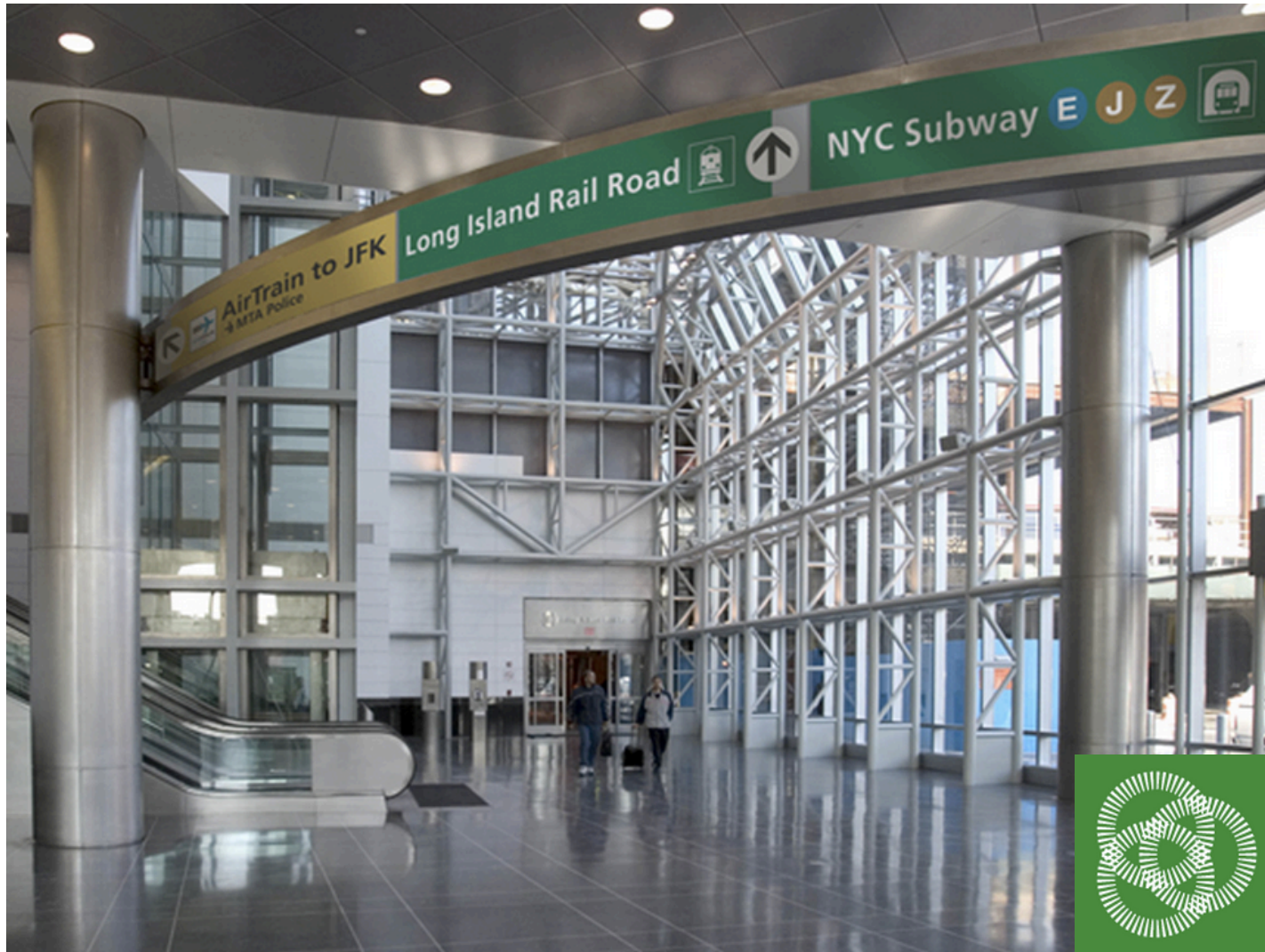
Image Credit: Erik Ferdericks, Creative Commons

Community Development Corporation (CDC)

Unity Council

- Fruitvale BID
- Farmers Market
- Head Start
- Latino Men and Boys
- Job Training
- Fruitvale-San Antonio Senior Center

Community Development Corporation (CDC)



Greater Jamaica
Development
Corporation

Community Development Corporation (CDC)



\$19M New Markets Tax Credits

Community Development Corporation (CDC)



Greater Jamaica
Development
Corporation

- **Jamaica First Parking.** GJDC owns, manages, and operates 2,000+ parking spaces
- **Farmers Market**
- **Jamaica Market.** 20 stores + seasonal farmers market.
- **Small-Business Revolving Loan Fund.**
- **Brownfield Opportunity Area** program.
- **BID** Formation & Management
- **Façade Improvement** program.

Community Development Corporations (CDC)

- Community-based organization
- Performs a range of economic development functions:
 - BID formation and management
 - Real estate development projects
 - Secure tax credit allocations
 - Small business loan and support programs
- Work in under-served neighborhoods
- Pursues partnerships to implement economic development programs
 - Community Foundations
 - Government
 - Capital Providers

Community Development Corporations (CDC)

What they can finance:

- Affordable housing
- Real estate development
- Development of community-serving uses and facilities
- Small-business loans and assistance
- Job-training programs
- Educational and counseling programs
- Façade improvements
- Community branding and marketing events

Community Development Corporation (CDC)



TOOL 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.

The economic development functions that CDCs provide include creating affordable housing, real-estate development, commercial revitalization, business loans, technical assistance, job training and social services.

A CDC has a board of directors typically comprised of local residents who may be appointed by the City Council. CDCs can be funded through federal and state grants, a city's general fund, tax credits, revolving loan funds, business improvement districts (Tool 10), donations and other sources.

Three of the national intermediaries that support CDCs are the Local Initiatives Support Corporation (LISC), Enterprise Community Partners, and NeighborWorks America.

WHAT THEY FUND

Community Development Corporations are flexible in terms of what they can finance:

- * Affordable housing (including new construction, homebuyer assistance and rehabilitation).
- * Real-estate development (new construction, acquisition and rehabilitation, mixed-use).
- * Development of community-serving uses and facilities.
- * Small-business loans and assistance.
- * Job-training programs.
- * Educational and counseling programs.
- * Facade improvements.
- * Community branding and marketing events.

PROJECT SCALE



RESOURCES



PARTNERS AND STAKEHOLDERS

Local residents, neighborhood groups and businesses that want to improve their community are key participants in forming a CDC. Initial CDC funding may be provided by local governmental entities or donations from small businesses and large corporations.

TOOL 7. COMMUNITY DEVELOPMENT CORPORATIONS

STRENGTHS AND LIMITATIONS

STRENGTHS

- * CDCs are flexible in terms of projects and services to fund.
- * CDCs offer a long-term mechanism for revitalization.
- * CDCs have the ability to reuse dollars through revolving loan funds.
- * CDCs can support coordinated economic-development activities.
- * CDCs can obtain funding resources not otherwise available, such as donations.

LIMITATIONS

- * Engaged local residents, businesses and/or stakeholders are needed to initiate and form a CDC.
- * Local government may have little influence over decisions (although this could also be considered a positive feature).
- * Lack of qualified professionals who may consider CDC employment opportunities.
- * CDCs may take more than 12 months to form.

LEARN MORE

For more steps on how to set up a Community Development Corporation:

- * Local Initiatives Support Corporation (LISC), lisc.org
- * Enterprise Community Partners, enterprisecommunity.com
- * NeighborWorks America, neighborhoodworks.org
- * Community Wealth.org, community-wealth.org/studies/panel/cdcs



CASE STUDIES

Oakland's Fruitvale Village and The Unity Council

Fruitvale is a neighborhood district located a few miles south of downtown Oakland. Once a vibrant agricultural and cannery center, Fruitvale became a distressed neighborhood, characterized by high density, high unemployment, a large percentage of households below the poverty line, and a high crime rate.

With construction begun in 1999, Fruitvale Village is now a 257,000 square-foot "transit village" connected to downtown by International Boulevard, a vibrant commercial artery with a wide variety of shops and other businesses.

The project vision was to strengthen existing community institutions and catalyze neighborhood revitalization – physically, economically and socially.

To fulfill these goals, the Unity Council (unitycouncil.org), a CDC, and its partners leveraged public and private investment to create a mixed-use development with a mix of moderate- and high-density housing, along with complementing public uses,

Community Development Corporation (CDC)



jobs, retail and services, along the regional transit system (the village is adjacent to the BART Fruitvale station).

THE DEVELOPMENT'S MAJOR COMPONENTS

- * 47 units of mixed-income housing.
- * 114,000 square feet of community services (clinic, library and senior center) and office space (including the Unity Council's headquarters).
- * 40,000 square feet of neighborhood retail shops and restaurants.
- * 150-car parking garage within the buildings – plus a large parking garage for BART riders.

The Unity Council and its partners were able to obtain very substantial funding for the project, initially in the form of planning grants, and then later as grants and loans for construction.

Once basic sources of equity and other contributions were committed, Citibank sponsored the issuance of tax-exempt bonds for the balance. The variety and complexity of these funding sources was remarkable, with approximately 30 different contributors.

The planning process began in 1992, and although plans were finalized in 1999, it took an additional two years for financing to be secured. Initial project occupancy occurred in 2003.

Funding Source	Amount
■ EQUITY	
Federal Emergency Management Agency	\$1,045,304
Ford Foundation	\$122,000
R&R Goldman Fund	\$300,000
Levi-Strauss	\$226,881
E&W Haas Jr Fund	\$400,000
PG&E	\$50,000
Neighborhood Reinvestment Corp.	\$100,000
National Council of La Raza (NCLR)	\$25,000
Land Proceeds	\$517,025
Total-Equity	\$2,786,210
■ CITY OF OAKLAND	
City EDI	\$3,300,000
Economic Development Administration Grant	\$1,380,000
Measure K Bonds (prepaid lease)	\$2,540,000
City Library (\$4.5 million prepaid lease)	\$4,900,000
Community Development Block Grant/Other	\$77,339
Environmental Protection Agency Grant	\$99,998
City-BTA Bike Station	\$400,000
Tax Increment Allocation (B) (LISC)	\$4,000,000
Total-City of Oakland	\$16,697,337

TOOL 7. COMMUNITY DEVELOPMENT CORPORATIONS

Funding Source	Amount
■ DEPT. OF TRANSPORTATION / BART	
Metropolitan Transportation Commission	\$47,121
FIA Child Development Center	\$2,300,000
FIA Pedestrian Paseo	\$780,000
FIA CMA Bike Facility	\$400,000
FIA Pedestrian Plaza	\$2,228,534
Total-Dept. of Transportation/BART	\$5,755,655
■ INTEREST / MISCELLANEOUS	
Interest/Other	\$643,707
Additional Bond Funds Interest/Misc.	\$176,661
Total-Interest / Miscellaneous	\$820,368
■ DEBT	
Unity Council FTV/Perm Loan	\$885,473
Unity Council Bridge Loan	\$911,830
NCBDC	\$750,000
City Section 108	\$3,300,000
Citibank Subordinate	\$1,400,000
City Housing Loan	\$750,000
501 (c)3 Bonds	\$19,800,000
Total-Debt	\$27,797,303
TOTAL	\$53,856,873

TOOL 7. COMMUNITY DEVELOPMENT CORPORATIONS



CASE STUDIES The Hacienda Community Development Corporation Launches Portland Mercado

Portland Mercado (portlandmercado.org) is a Latino focused micro-enterprise, multi-function operation in the Mt. Scott-Arleta and Foster-Powell neighborhoods in Portland. Opened in April 2015 with 19 businesses, it features a grocery and produce business, a beer and wine shop, a meat shop and chorizo business, coffee shop, party shop, and juice and fruit store.

Service businesses are located on the second floor. A full-time commissary kitchen is available for community members who want to start a food business. Affordable retail spaces are available for businesses to launch and grow, and food carts share a court in the outdoor plaza.



The planning effort behind Portland Mercado started in 2010 as a Portland State University graduate workshop, in partnership with the Hacienda Community Development Corporation (haciendacdc.org).

Over the next few years, Hacienda CDC, in collaboration with community members and aspiring entrepreneurs, fleshed out the plan and looked for a suitable location. They landed on the current site, reusing and transforming a 6,500 square-foot building on a 0.75-acre lot (that held a bank and car dealership) to accommodate the new development.

The \$3.2 million project was made possible with the help of grants and loans, and assistance from the Portland Development Commission, the City's urban renewal and economic development agency that is primarily funded through tax-increment financing.

Other funding sources included New Markets Tax Credit funds and financial participation from nonprofits, federal agencies and foundations. The Portland Development Commission owns the property and extended a long-term lease of the property to Hacienda CDC for \$1 a year.



The biggest retail space inside the building is Micro Mercantes Incubator and Kitchen, an affordable commercial kitchen available for rent on a sliding scale (starting at \$13/hour) to help low-income entrepreneurs start food careers and businesses. The kitchen is open 24/7.

Micro Mercantes also offers training and business advising – available in Spanish – for its entrepreneurs in the beginning stages of their business. Businesses in the training program have access to a range of foundational classes, with management topics such as insurance and registration, and food-industry topics such as ingredient sourcing and safe food handling.

Hacienda CDC bought each of the eight \$20,000 food carts that serve outdoor prepared foods. The CDC helped each business owner create an Individual Development Account, savings accounts where donors match the owner's dollars three-to-one. Hacienda also provides utilities, Internet and training to help businesses succeed, but the owners have to pay rent and secure their own permits.

Enhanced Infrastructure Financing District (EIFD)



Image Credit: MPStudio123, Creative Commons

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



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, 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.

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.

LEARN MORE

Learn more about creating an Enhanced Infrastructure Financing District:

- ✱ California Economic Summit, "A How-To Guide for Using New EIFDs." cafvd.app.box.com/s/p8e0h7s6v4hm1st2uwq
- ✱ League of California Cities, Analysis of SB 628 (EIFD), cocities.org/CMSPages/GetFile.aspx?hodgeguid=08e42eca-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

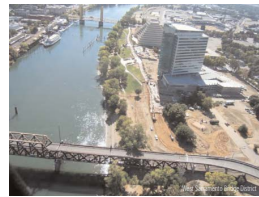
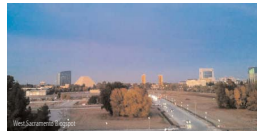
After the dissolution of redevelopment agencies and prior to EIFD legislation, the City of West Sacramento established an IFD for the Bridge District, which was undergoing a revitalization effort originally intended to be funded through the redevelopment agency.

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.

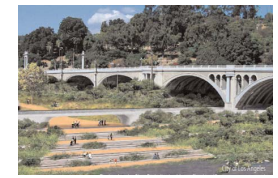
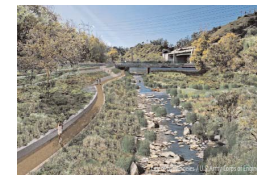
Due to the success of the Bridge District IFD, the City is now in the process of analyzing and forming a community-wide EIFD.



SMART-GROWTH MONEY: NEW FUNDING STRATEGIES FOR COMMUNITY IMPROVEMENTS

5

TOOL 1. ENHANCED INFRASTRUCTURE FINANCING DISTRICTS



CASE STUDIES

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

The 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).

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)

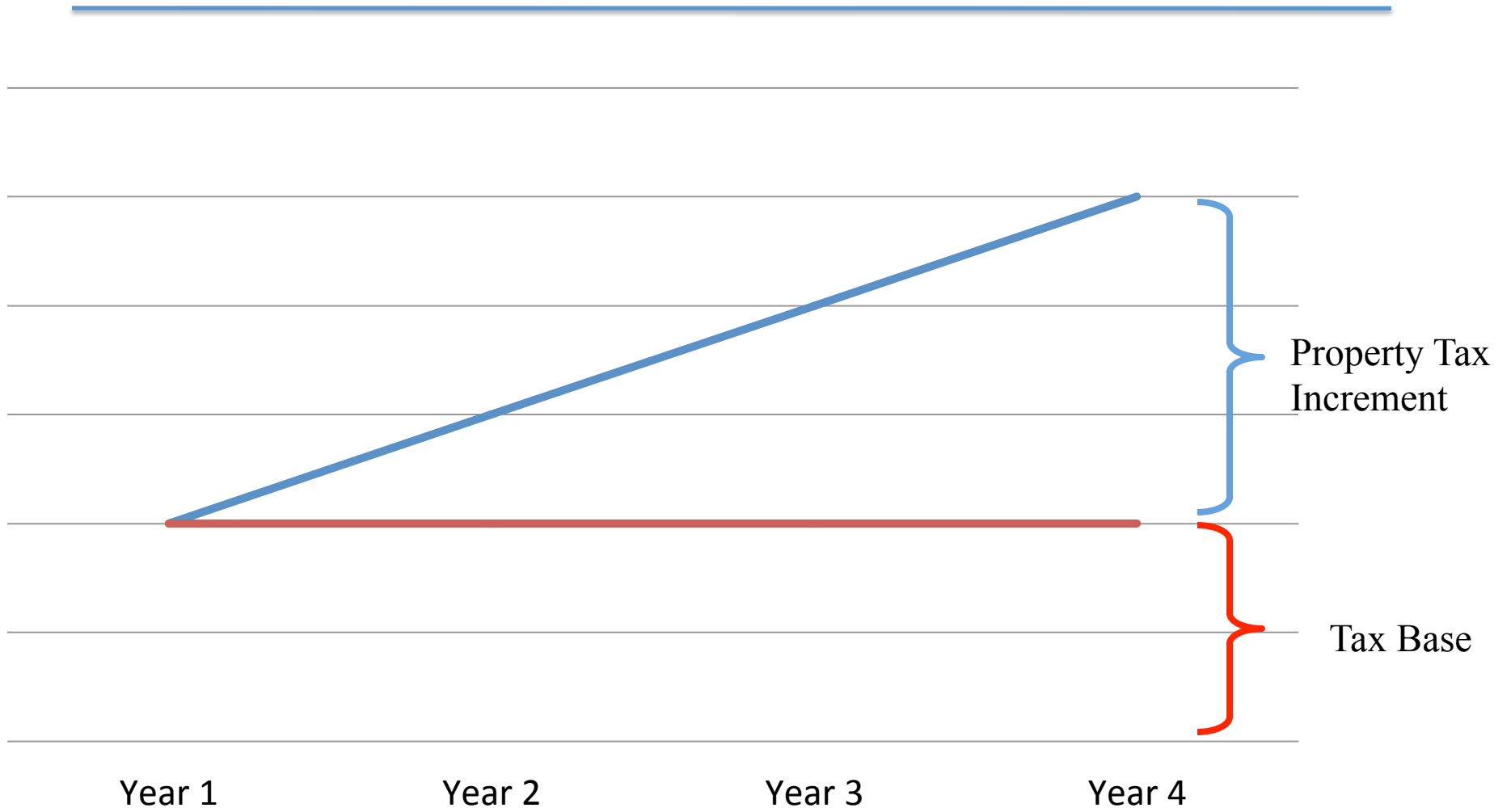
- Senate Bill No. 628
- Approved by the Governor September 2014
- May be created within a City or County to finance the construction or rehabilitation of infrastructure and facilities

Enhanced Infrastructure Financing District (EIFD)

What they can finance:

- Highways, interchanges, ramps, bridges, streets, parking, transit facilities
- Sewage treatment and water reclamation plants
- Flood control levees and dams, retention basins and drainage channels
- Childcare facilities
- Libraries
- Parks, recreational facilities, open space
- Brownfield restoration
- Housing units and on-site facilities for childcare, after-school care and social services within mixed-income housing developments

EIFD are TIF Districts



Enhanced Infrastructure Financing District (EIFD)

- 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)

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)

Steps to create an EIFD:

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

Crowd Funding



Image Credit: Kars Alfrink, Creative Commons

Crowd Funding



Image Credit: Appie Verschoor, Creative Commons

“the more you donate, the longer the bridge”

25€

125€

1250€

Crowd Funding

Municipal bonds built America's past. Join us to build the future.



Neighborly.com

Crowd Funding



Kansas City

An Independent Licensee of the Blue Cross and Blue Shield Association

Crowd Funding



**WE WANT YOU
TO SPONSOR
KANSAS CITY **B** *cycle***

Crowd Funding

What they can finance:

- **Be creative...**
 - Bike racks
 - Community gardens
 - Music organizations (e.g. SD Opera)
 - Dog parks
 - Playgrounds
 - Neighborhood markets
 - Conservation easements
 - Social services
- **Coming Soon . . . Muni bonds**

New Directions + Emerging Strategies

New Directions + Emerging Strategies

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



Questions + Comments

Thank you!



Local Government Commission



Lisa Wise Consulting, Inc.



California Endowment

Social Impact Bonds



Image Credit: Joe+Jeanette Archie, Creative Commons

New Funding Strategies for Smart-Growth Success

Social Impact Bonds

- Pay-for-Success System
- Funds pay for a program that accomplishes social good that will in turn save parties money.
- Parties that save money as a result of the program pay back principal and interest to investors.

Social Impact Bonds

TOOL 6 Social Impact Bonds

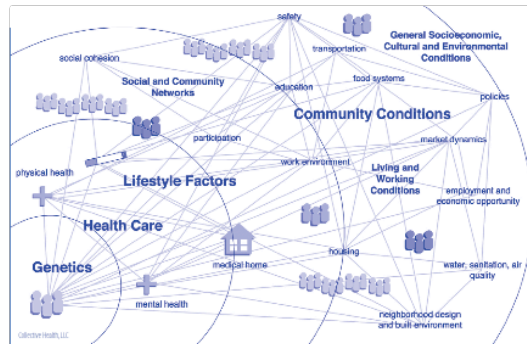
A Social Impact Bond – also known as a “Pay for Success” Bond or a “Social Benefit” Bond – is an innovative financing model where private investors supply capital for projects or programs designed to improve social outcomes and reduce government spending.

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.



CASE STUDIES Repairing Intersections in Portland

In 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.

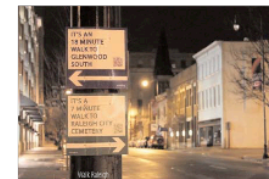
of project expenses, such as paint and materials. City Repair also helps the group meet City requirements.

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

Random Acts of DIY Results

There 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.

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 Orick, Herrington & 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

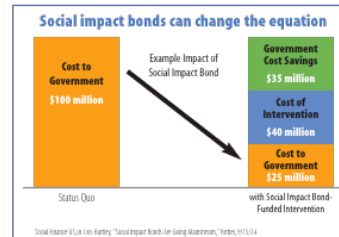
Fiscal savings that result from successful and efficient programs.

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
- ✳ Social Finance, socialfinance.org/sites/socialfinance.org/files/small.SocialFinanceWPSingleFINAL.pdf

TOOL 6. SOCIAL IMPACT BONDS



“I’m excited about the opportunity to build public health and prevention into an economic model.”
— U.S. EPA Administrator Gina McCarthy

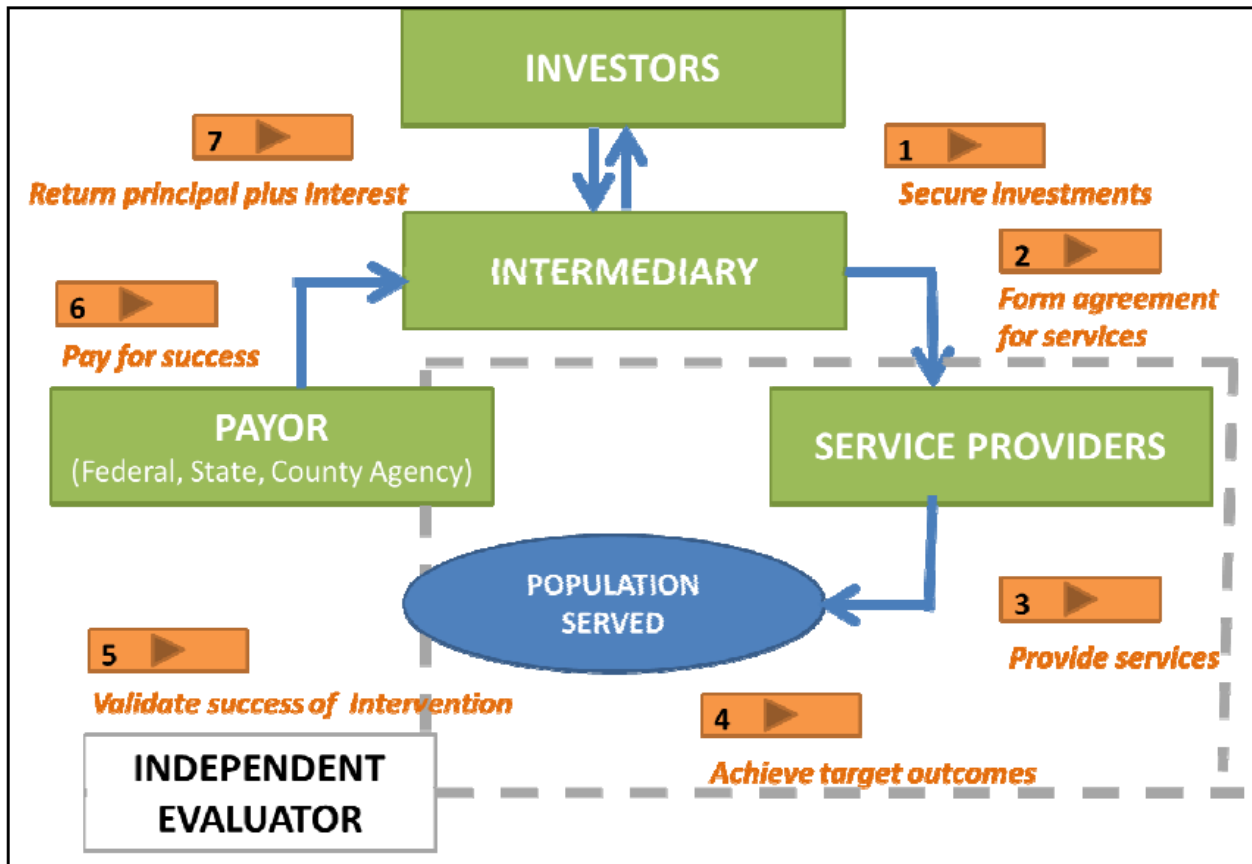
Social Impact Bonds

What they can finance:

- Range of social programs that address issues such as homelessness, public health, blight and crime reduction

Social Impact Bonds

How they work:



Source: "Social Impact Bonds and Community Foundations: Making Pay-for-Success Initiatives Accessible" by Maria Hernandez and Joshua Genser