



Housing Financing Tools and Equitable, Location-Efficient Development in California

CASE STUDIES REPORT

Prepared in Accordance with California Senate Bill 961, 2017-2018 Regular Session



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TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	1
Report Purpose	1
Case Studies Overview and Key Lessons Learned.....	1
I. INTRODUCTION.....	6
Report Purpose	6
Case Study Selection and Approach	6
II. LA VERNE EIFD CASE STUDY.....	9
Overview	9
Project Goals and Formation	10
Development Program and Financing Plan	12
Lessons Learned.....	13
III. SACRAMENTO STADIUM EIFD CASE STUDY.....	15
District Goals and Formation	16
Development Program and Financing Plan	17
Lessons Learned.....	17
IV. FRESNO EIFD CASE STUDY	19
Project Goals and Formation	20
Development Program and Financing Plan	21
Lessons Learned.....	21

EXECUTIVE SUMMARY

Report Purpose

This report fulfills a requirement by State legislation (Senate Bill 961, 2017-2018 Reg. Sess.) to study the effectiveness of using tax increment financing (TIF) for location-efficient housing production.¹ As directed by the Governor’s Office of Planning and Research and following the requirements in Senate Bill 961, Strategic Economics prepared three reports:

- 1) A case study report profiling the use of TIF tools in three cities (this report);
- 2) A report on the use of current TIF tools in California; and
- 3) A report on the potential for bus transit to serve as anchors for transit-oriented development (TOD).

The Case Studies report is designed to address the following questions:

- What motivates taxing authorities to use or explore using TIF?
- What are the goals of the TIF districts, and do they include facilitating market-rate and affordable housing production?
- What other complementary funding and financing tools are used?
- What challenges are there to implementing a TIF district, and what are important lessons and key findings for the state and other communities?

Case Studies Overview and Key Lessons Learned

A table summarizing the key elements of the three TIF districts and their relationship to transit and housing is provided as Figure 1. All of the TIF districts are Enhanced Infrastructure Financing Districts (EIFDs). While a variety of TIF districts are allowed, EIFDs are by far the most commonly implemented. A brief summary of each of the case studies and key lessons learned is provided below.

¹ SB 961 (2018) added Government Code Section 65040.15: “On or before January 1, 2021, the Office of Planning and Research shall complete a study on the effectiveness of tax increment financing tools for increasing housing production, including a comparison of the relative advantages and disadvantages of infrastructure financing districts, enhanced infrastructure financing districts, affordable housing authorities, use of the Neighborhood Infill Finance and Transit Improvements Act, and use of the Second Neighborhood Infill Finance and Transit Improvements Act. The study shall also include an analysis of the impacts of extending the Second Neighborhood Infill Finance and Transit Improvements Act to areas around bus stops, including segregated bus rapid transit, and make recommendations to the Legislature.”

LA VERNE EIFD

OVERVIEW

The City of La Verne, located in Los Angeles County, is implementing an EIFD to finance \$33 million in transit-oriented infrastructure in the vicinity of a future LA Metro light rail station. The 142-acre EIFD was approved by the City in 2017, with Los Angeles County joining the district three years later and pledging half of its tax increment within the district. In order to participate in the district, LA County had to adopt a policy for participation in EIFDs. Although the EIFD does not directly fund affordable housing, transit-oriented residential development is a major focus of the specific plan for the area. In addition to commercial uses, 1,700 residential units are anticipated, fifteen percent of which are required to be income-restricted affordable units.

KEY LESSONS LEARNED

- The City benefited from proactively engaging stakeholders - including property owners and the County - early in the EIFD formation process.
- The limited number of property owners within the La Verne EIFD boundaries made the formation of the EIFD more manageable and reduced the risk of a majority protest of property owners during the public hearing process.
- The La Verne EIFD is able to generate significantly more tax increment than it otherwise would due to the participation of Los Angeles County.
- LA County's policy on participation in a TIF district can help to encourage the use of TIF tools for the purpose of economic development, housing production, and other regional goals. The policy includes a requirement that any rental housing in the EIFD must allocate a minimum of 20 percent of units for affordable housing.
- La Verne's EIFD benefits from the fact that there is a limited need for costly upfront improvements to enable new development. The site of the La Verne EIFD currently has sufficient water and sewer capacity for the first phase of residential and commercial development, allowing the EIFD to build up tax revenues before issuing bonds and reducing the need for other, non-EIFD funding sources to pay for major upfront improvements.

SACRAMENTO STADIUM EIFD

OVERVIEW

In 2019, the City of Sacramento approved a 42-acre EIFD to partially fund the foundational infrastructure needed for a Major League Soccer team stadium and surrounding mixed-use development. The \$27.2 million in infrastructure will service the stadium, 1,200 anticipated residential units, and 542,000 square feet of non-residential development. Prior obligations to federal and state financial support of the area include provisions for affordable housing, estimated to be 122 units (ten percent of all units). The financing is structured as a loan from the City, which is to be repaid with tax increment. No other taxing entities are participating

other than the City, which is contributing 100 percent of the increment generated by the district.

KEY LESSONS LEARNED

- As in the City of La Verne, the Sacramento EIFD was relatively easy to implement in part because the district included few property owners. In addition to a simpler public hearing process, the limited number of property owners makes it easier and less expensive to meet annual noticing requirements. EIFDs may be more challenging to implement in infill locations with multiple property owners.
- The planned major investment in the stadium helped to make a strong case for the EIFD, because in the absence of this investment there would be limited property value growth within the district.
- The City loan to the MLS team will allow development in the EIFD to occur relatively quickly, with the cost paid back using tax increment revenue generated over time.
- The main purpose of the EIFD is not to assist with housing development, however, it will help to facilitate some housing as an ancillary benefit.

FRESNO EIFD

OVERVIEW

An EIFD is currently proposed to help fund the infrastructure needed to encourage infill development in the City of Fresno. The proposed district covers 4,237 acres divided between the Blackstone bus rapid transit corridor and a Downtown focus area. The plan envisions approximately 10,000 residential units in addition to some non-residential development and would require approximately \$100 million in multi-modal transportation infrastructure and related improvements. While there is no explicit goal for affordable housing, the City has discussed the possibility of using tax increment to support affordable housing at a later date. No other taxing entities are participating in the plan.

KEY LESSONS LEARNED

- Despite a relatively high number of property owners within the Fresno EIFD boundaries, the EIFD has not faced any major challenges during the formation process. While many property owners have participated in public meetings, there has been little opposition.
- The Fresno EIFD demonstrates the importance of having a project champion. City Councilmember Nelson Esparza has played an important role in initiating and advancing the EIFD in Fresno.
- While Fresno had the option to create a TIF district under the Community Revitalization and Investment Act (CRIA), the City ultimately opted to pursue an EIFD because it offers more flexibility. CRIA districts are designed to be used in low-income or otherwise disadvantaged areas, and also have specific provisions for affordable housing, including a 25 percent set-aside for housing affordable to low- and very-low income households. However, the City ultimately did not pursue a CRIA because an EIFD allows the City more

flexibility to focus on infrastructure in early phases while retaining the option to use TIF revenue for affordable housing at a later date.

- Similar to the La Verne EIFD, Fresno plans to pace the scale of infrastructure improvements based on the timing of tax increment revenues, which creates uncertainty about the timing of future investments.

FIGURE 1: CASE STUDIES SUMMARY

District	Status	Location	City/County Allocation*	Transit	Infrastructure Cost and Goal	Affordable Housing
La Verne EIFD	Approved by City in 2017, and County joined in January 2020	Los Angeles Region	100% of City increment allocated to EIFD; City receives 18.47% of the general property tax rate 50% of County increment allocated to EIFD; County receives 26.9% of the general property tax rate	Future Metro Gold Line light rail station	\$33 million of infrastructure improvements to facilitate TOD development around the City's future Gold Line station	EIFD does not directly fund affordable housing, but the Specific Plan Area requires 15% of new residential units be affordable to low- and moderate-income households
Sacramento Stadium EIFD	Approved by the City in December 2019.	Sacramento Region	100% of City increment allocated to EIFD; City receives 25.72% of the general property tax rate	Sacramento Valley Station (regional rail, light rail, and bus; EIFD plan includes possible funding for BRT)	\$27.2 million of infrastructure to support stadium and ancillary development	EIFD does not directly fund affordable housing, but previous affordable housing obligations within the district will result in 122 affordable units built by private development
Fresno EIFD	Proposed; Tentative formation in 2020 or 2021	Central Valley	30% of City increment allocated to EIFD; City receives 23.38% of the general property tax rate	Blackstone Corridor BRT (FAX Q line)	\$100 million of multi-modal transportation and other infrastructure to spur infill development.	EIFD does not directly fund affordable housing, but increasing affordable housing in the Blackstone Corridor is a goal identified in City planning documents

*Property tax allocations are approximations and may vary year to year for some districts.

I. INTRODUCTION

Report Purpose

This report fulfills a requirement by State legislation Senate Bill 961 (2017-2018 Reg. Sess.) to study the effectiveness of using tax increment financing (TIF) for location-efficient housing production.² As directed by the Governor’s Office of Planning and Research and following the requirements in Senate Bill 961, Strategic Economics prepared three reports:

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The Case Studies report is designed to address the following questions:

- What motivates taxing authorities to use or explore using TIF?
 - What are the goals of the TIF districts, and do they include facilitating market-rate and affordable housing production?
 - What other complementary funding and financing tools are used?
 - What challenges are there to implementing a TIF district, and what are important lessons and key findings for the State and other communities?

Case Study Selection and Approach

The three case studies were selected because of their geographic diversity and their ability to offer different lessons about the opportunities and challenges associated with the use of TIF in California. The location of each of the case studies, along with other TIF districts that have been considered, planned or created, is shown in Figure 2. All of the TIF districts are Enhanced Infrastructure Financing Districts (EIFDs); while a variety of TIF districts are allowed, EIFDs are by far the most commonly implemented to date. However, as discussed in detail in the companion TIF Tools report, EIFDs are the most likely type of district to be implemented in most parts of the state. The three case studies are:

- **La Verne EIFD.** The City of La Verne partnered with Los Angeles County, to implement an EIFD to finance \$33 million in transit-oriented infrastructure in the vicinity of a

² Government Code, section 65040.15, states: “On or before January 1, 2021, the Office of Planning and Research shall complete a study on the effectiveness of tax increment financing tools for increasing housing production, including a comparison of the relative advantages and disadvantages of infrastructure financing districts, enhanced infrastructure financing districts, affordable housing authorities, use of the Neighborhood Infill Finance and Transit Improvements Act, and use of the Second Neighborhood Infill Finance and Transit Improvements Act.”

future LA Metro light rail station. The EIFD was approved by the City in 2017, with Los Angeles County joining the district three years later and pledging half of its property tax increment within the district.

- **Sacramento Stadium EIFD.** In 2019, the City of Sacramento approved an EIFD to partially fund the foundational infrastructure for a Major League Soccer team stadium and surrounding mixed-use development.
- **Fresno EIFD.** An EIFD is being proposed to support the infrastructure for infill development in the City of Fresno. The proposed district covers 4,237 acres divided between the Blackstone bus rapid transit corridor and a downtown focus area.

FIGURE 2: LOCATION OF TIF CASE STUDIES RELATIVE TO OTHER POTENTIAL AND EXISTING TIF DISTRICTS



District Type	District Status
▲ EIFD	■ Approved
■ CRIA	■ Proposed
● IFD	■ Under Consideration
◆ IRFD	



Note: District locations are approximate.

Source: Kosmont & Associates, 2020; Keyser Marston Associates, 2020; Southern California Association of Governments, 2018; Strategic Economics, 2020.

II. LA VERNE EIFD CASE STUDY

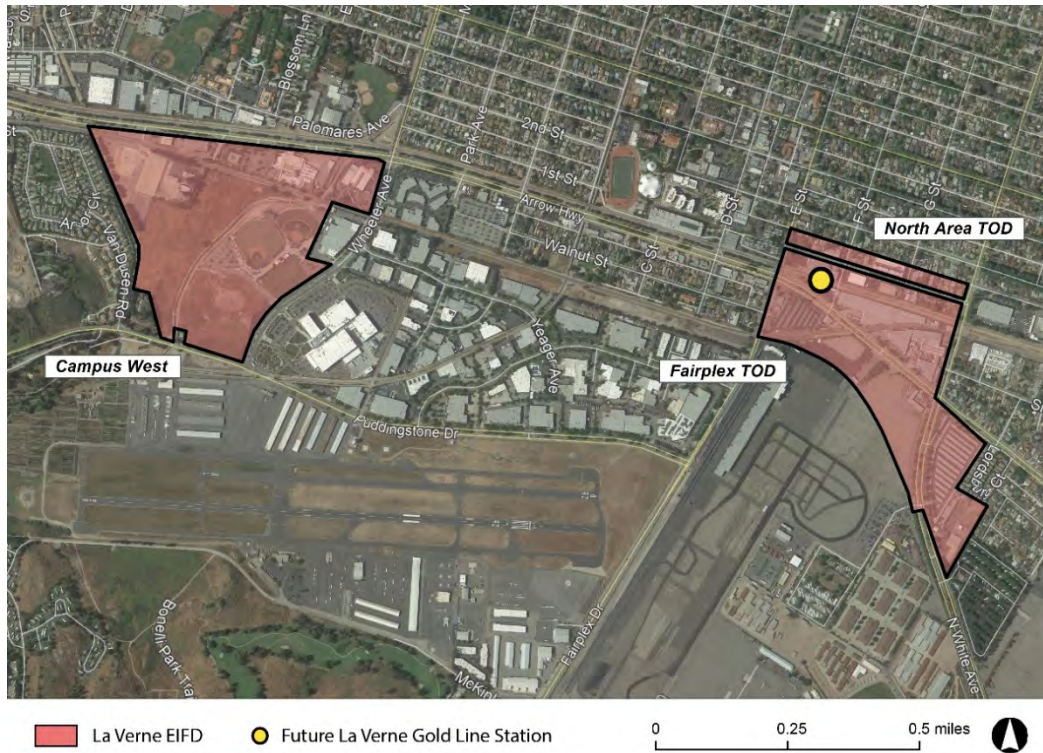
Overview

The City of La Verne is a suburban community with a population of approximately 33,000, located at the eastern edge of Los Angeles County (Figure 3).³ In 2017, the City approved an EIFD near a planned Metro station, part of the Foothill Gold Line extension from Glendora to Montclair. This EIFD was the first formed in Los Angeles County. In January 2020, Los Angeles County also agreed to join and contribute a share of the County's property tax increment to the district.

The La Verne EIFD consists of three noncontiguous subareas, which in total include 83 parcels and approximately 142 acres. The subareas contain the University of La Verne campus and previously industrial areas that are planned to transition to residential, retail, hotel, and commercial spaces. The Fairplex TOD and North Area TOD sub-areas are located adjacent to the Gold Line Station and overlap with the City's Old Town Specific Plan Area (Figure 3). The University of La Verne Campus West sub-area is about three-quarters of a mile from the future Gold Line station. Key landowners within the district include the University of La Verne and the Fairplex Association, which owns the portion of the Los Angeles County Fairgrounds located within La Verne.

³ City of La Verne. "About La Verne." Accessed July 14, 2020. <https://www.cityoflaverne.org/index.php/about-la-verne>.

FIGURE 3: LA VERNE EIFD DISTRICT BOUNDARIES



Note: EIFD boundaries are approximate.
Source: Strategic Economics, 2020.

Project Goals and Formation

The primary goal of the La Verne EIFD is to assist in funding infrastructure improvements that will help facilitate transit-oriented development along the Foothill Gold Line Corridor.⁴ In 2014, the City approved the Old Town La Verne Specific Plan (OTLVSP), which increased the allowable density in areas surrounding the light rail station.⁵ To fund needed infrastructure improvements along the light rail corridor, the City explored the idea of an EIFD.

While exploring the feasibility of an EIFD, the City met with key property owners within the district boundaries and sought the County's participation. Property owners were interested in the idea, but the County initially declined. While La Verne continued to advocate for County participation, the City decided to proceed with forming the district in 2017 in order to set the base year for the district as early as possible and begin capturing tax increment as development occurred.

⁴ "Enhanced Infrastructure Financing District Infrastructure Financing Plan," September 18, 2018. <https://www.cityoflaverne.org/index.php/documents/community-development/eifd-documents/740-la-verne-final-adopted-ifp/file>.

⁵ The La Verne Light Rail is anticipated to open in 2026: Foothill Gold Line. "La Verne Station." Accessed July 14, 2020. https://foothillgoldline.org/cities_stations/la-verne/; "Old Town La Verne Specific Plan," March 2013. <https://www.cityoflaverne.org/otlvsp.pdf>.

After several years of consideration and negotiations with La Verne and other cities, the County passed an EIFD Participation Policy in 2017 (see text box below). Among other guidelines, the policy is intended to limit the County's participation to districts where the City's share of the general property tax equals at least 15 percent. Los Angeles County has many cities that collect a very low share (or in some cases, none) of the general property tax and contract with the County to provide basic services. The 15 percent goal is intended to protect the general property tax revenues that the County needs to provide these services. However, since only a limited number of cities in the County collect 15 percent or more of the general property tax, the guideline is subject to negotiation. La Verne receives more than 18 percent of the general property tax, an unusually high share.

In January 2020, the County formally joined La Verne's EIFD. As of the summer of 2020, the City was in the process of conducting public hearings to adopt an amended Infrastructure Financing Plan (IFP) that reflects the County's participation and gives the County a seat on the public financing authority (PFA) that governs the EIFD.⁶

La Verne EIFD

Status: Approved by the City in 2017 and the County joined in January 2020

Location: Southern California, Los Angeles County

Housing Market Strength: Strong. Median home price is approximately \$657,000 in Los Angeles County.

City Property Tax Allocation: 100% of City increment allocated to EIFD; City receives 18.47% of general property tax rate

County Property Tax Allocation: 50% of County increment allocated to EIFD; County receives 26.9% of general property tax rate

Transit: Future Foothill Metro Gold Line light rail station

Development Cost and Goal: \$33 million of infrastructure improvements to facilitate TOD around the future Gold Line station.

⁶ The EIFD was originally formed prior to the passage of AB 116 (2019), removed the need for property owner voter approval for issuing bonds, but requires two additional public hearings (three total) to allow property owners the opportunity for majority protest. Due to these changes, the City is now going through the formation process again, which involves conducting three public hearings.

LA County EIFD Participation Policy

The following are general guidelines for LA County participation in EIFDs. These criteria may be subject to negotiation with individual cities.

- Proposed rental housing development must include 20 percent of affordable units on-site (with depth of affordability not specified)
- The City's share of the general property tax must equal at least 15%.
- The City's contribution of property tax must be at least equal to the contribution from the County and its special districts.
- The County must not contribute 100 percent of its property tax increment.
- There must be a positive impact to the County General Fund from the EIFD. (As demonstrated through a fiscal analysis conducted by the County CEO Office.)
- The EIFD must support economic development and align with at least one of the following areas: affordable housing, homeless prevention, workforce development, sustainability.
- The EIFD must be consistent with State EIFD law.

Development Program and Financing Plan

- **Development Program.** Infrastructure improvements within the district are intended to catalyze new private transit-oriented development envisioned by the OTLVSP. Anticipated development includes approximately 1,700 residential units, a 150-room hotel, 100,000 square feet of retail, and 150,000 square feet of business park.
- **Affordable housing.** The EIFD does not include an affordable housing component, but private development is expected to provide affordable housing under an inclusionary housing requirement included in the Specific Plan. The OTLVSP requires that 15 percent of rental and for-sale housing development must be occupied by persons or families of low or moderate-income. Forty percent of the affordable units must be for very-low-income households. This affordable housing requirement was the subject of significant negotiation with the County because the County's EIFD Participation Policy requires that 20 percent of rental housing be set aside as affordable. However, the County ultimately determined that the City's requirement would provide sufficient affordable housing to meet the County's goals because the City's policy applies to ownership as well as rental housing, and includes a specific target for very-low-income households.
- **EIFD funded facilities.** The EIFD is anticipated to assist in funding a series of projects related to street improvements, pedestrian connectivity, and utility infrastructure upgrades at a total estimated cost of \$33 million. A key project is a \$4 million pedestrian bridge that will connect the light rail station to the LA County Fairgrounds.
- **Anticipated funding and financing sources.** According to the IFP, "pay-as-you-go" funding and the sale of bonds will be used to finance projects. The EIFD is anticipated to generate

\$114.7 million in revenues over the 50-year life of the district, which would generate an estimated \$67 million in bonding capacity. However, actual revenues will depend on the pace of development as well as bond market conditions; as of the date of this report, the City had not yet issued any bonds. The City is in the early stages of exploring other funding sources and has so far secured \$1 million of Los Angeles County Measure M funds for the design of the pedestrian bridge.

- **Phasing.** Less expensive projects such as pedestrian improvements (which may be paid for on a pay-as-you-go basis rather than requiring bond issuances) are planned for the early stages of the build-out. The City plans to issue bonds to pay for more costly water and sewer improvements once additional development occurs and generates sufficient tax increment revenues. The area currently has sufficient water and sewer capacity to support the early phases of development.

Lessons Learned

- **The City benefited from proactively engaging stakeholders—including property owners and the County—early in the EIFD formation process.** This early engagement allowed the City to educate landowners about the tool and gain their support. Engaging the County early also provided more time to secure the County's participation, which was a lengthy (multi-year) process, in part because there were no County precedents for participation in an EIFD.
- **The limited number of property owners within the EIFD boundaries made the formation of the EIFD more manageable and reduced uncertainty in the process.** Because there are only a limited number of landowners within the EIFD, the City could meet with more of them and field questions and concerns more easily. The limited number of property owners also reduced the risk of a majority protest of property owners during the public hearing process.
- **By setting internal policies for joining EIFDs, counties can help enable the use of this tool to facilitate economic development and housing production, while also ensuring that EIFDs are used to meet county and/or regional goals.** In order for Los Angeles County to participate in an EIFD, the County needed to have a policy guiding its participation. The EIFD policy also provides cities with an understanding of County expectations for participation, which will help to facilitate EIFD partnerships. In the case of La Verne, the EIFD will provide a regional benefit by providing improved access to the County Fairgrounds in the form of a pedestrian connection between the Gold Line and the Fairgrounds. Additionally, the La Verne EIFD also supports County goals related to sustainability, regional transportation, and affordable housing. The County is currently considering participating in an EIFD in Redondo Beach and forming an EIFD in unincorporated West Carson, both of which will also provide regional benefits.⁷

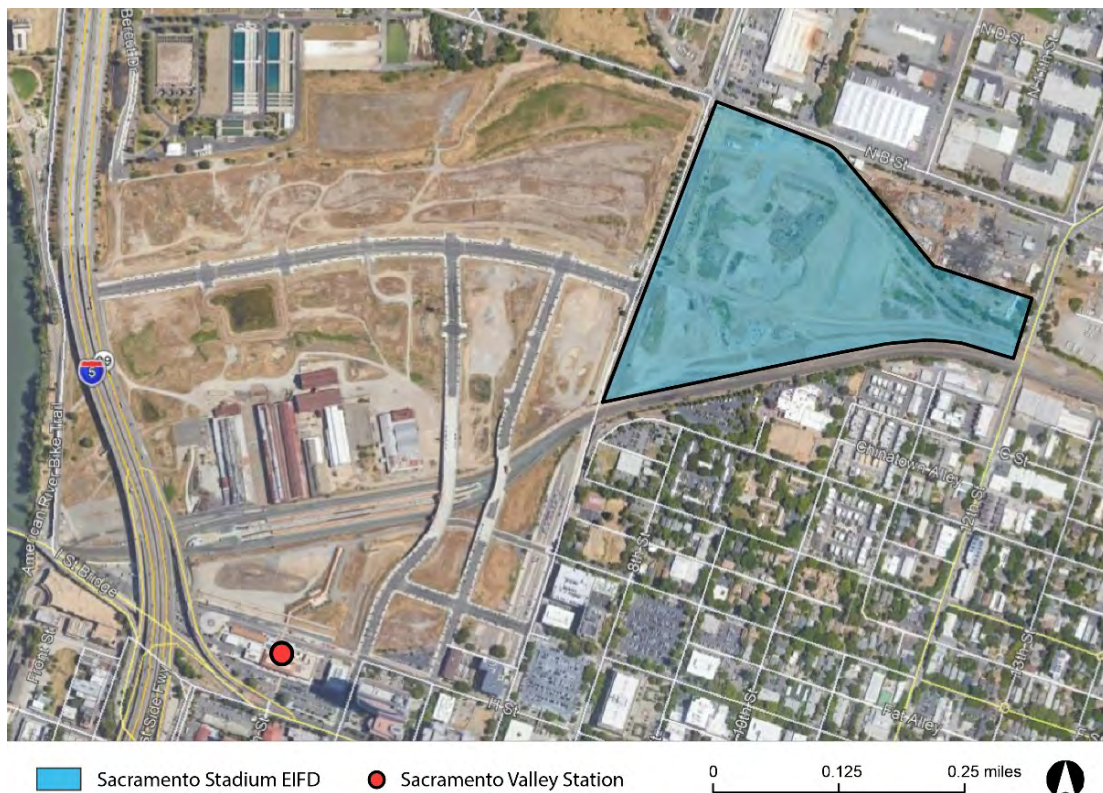
⁷ The Redondo Beach EIFD will include the creation of a new park near the beach and the West Carson EIFD plans to develop a biotech park and include a 20 percent affordable housing set aside.

- **The success of La Verne's EIFD rests in part on the fact that there is a limited need for costly upfront improvements to enable new development.** Tax increment revenues can take many years to achieve substantial levels. The site of the La Verne EIFD currently has sufficient water and sewer capacity for the first phase of residential and commercial development, allowing the EIFD to build up tax revenues before issuing bonds and reducing the need for other, non-EIFD funding sources to pay for major upfront improvements. This can be more challenging in places where major capital investments are needed before new development can occur.

III. SACRAMENTO STADIUM EIFD CASE STUDY

In December 2019, the City of Sacramento approved an EIFD in the City's Railyards area, a 244-acre former industrial and redevelopment district adjacent to the downtown. The EIFD includes 42 acres in the eastern portion of the Railyards. The property is owned by a single private developer that purchased most of the Railyards in 2010.⁸ Historically the location of major railroad operations, today the district includes vacant land with little to no basic infrastructure such as sewer lines and internal roads. The EIFD sits just north of the Sacramento downtown, near the recently-developed Entertainment District, as well as the Sacramento Valley Station, a major transit hub that includes Amtrak, light rail, and bus connections.

FIGURE 4: SACRAMENTO STADIUM EIFD BOUNDARIES



Note: EIFD boundaries are approximate.
Source: Strategic Economics, 2020.

⁸ Franklin, Sydney. "The Railyards in Sacramento Will Be America's next Big Urban Development." *The Architect's Newspaper*, September 10, 2019. <https://www.archpaper.com/2019/09/the-railyards-in-sacramento/>.

District Goals and Formation

The main goal of the EIFD is to fund infrastructure that will support a new Major League Soccer (MLS) stadium. In addition to securing the new stadium, the City also hopes that infrastructure improvements will help to accelerate commercial and residential development within the district. While the 2007 Railyards Specific Plan zones much of the area for high-density mixed-use development, a major barrier to development at the Railyards has been an absence of foundational infrastructure such as roads and sewer lines.⁹

In May 2019, the City initiated the process of forming an EIFD, and in October, the MLS announced the creation of a new soccer team in Sacramento.¹⁰ While the City initially planned to have the new MLS team pay for the site's infrastructure upfront and use the tax increment to repay the amount over time, ultimately this was not found to be possible due to rising costs. In November the City approved a \$27.2 million loan to the soccer team to assist in paying for the infrastructure improvements in the immediate term. The loan will be repaid using the tax increment generated by the EIFD.¹¹

In December, the City completed the formation process for the EIFD and approved the Stadium Area EIFD as the sole participant. The City did not seek the County's participation in the EIFD because the area was a former redevelopment area and a tax sharing agreement generally favorable to the City had already been negotiated with the County.

Sacramento Stadium EIFD

Status: Approved by the City in December 2019.

Location: Northern California, Sacramento County.

Housing Market Strength: Medium. Median home price is approximately \$396,000 in Sacramento County.

City Property Tax Allocation: 100% of City increment allocated to EIFD; City receives 25.72% of general property tax rate.

Transit: Sacramento Valley Station, which includes regional rail, light rail, and bus

Infrastructure Cost and Goal: \$27.2 million of infrastructure to support stadium and ancillary development.

⁹ "Sacramento Railyards Specific Plan," December 11, 2007.

<https://www.cityofsacramento.org/-/media/Corporate/Files/MISC-Uploads/SacRailyardsSPFinal.pdf?la=en>.

¹⁰ Gallardo, Alex. "M.L.S. Adds Sacramento as League's 29th Team." The New York Times, October 21, 2019, sec. Sports. <https://www.nytimes.com/2019/10/21/sports/soccer/MLS-sacramento.html>.

¹¹ Solomon, Samantha. "City Council Approves \$27-Million Investment for New MLS Stadium." ABC10, November 12, 2019. <https://www.abc10.com/article/sports/soccer/republic-fc/sacramento-city-council-approves-27-million-investment-for-new-major-league-soccer-stadium/103-9bc74c26-5ddb-473a-a96c-de9874ba1182>.

Development Program and Financing Plan

- **Development program.** The district is planned to include a new MLS stadium. In addition, approximately 1,200 residential units and 542,000 non-residential building square feet are also entitled.
- **Affordable housing.** The EIFD does not have an affordable housing component, however affordable housing obligations tied to Federal and State funds previously used in the Railyards area apply to the EIFD site.¹² Of the 1,200 anticipated residential units, 122 are planned to be affordable units.
- **EIFD funded facilities.** The EIFD will assist in funding extensive infrastructure improvements such as roadway, transit, and sewer improvements. The cost of infrastructure in the district is estimated to total approximately \$27.2 million.
- **Anticipated funding and financing sources.** The City provided a \$27.2 million loan to the new MLS team to build the planned infrastructure improvements, which will be repaid using tax increment.
- **Phasing.** The MLS stadium is expected to be completed by 2022. The City's loan to the new MLS team allows for the foundational infrastructure to be built in the immediate term before the district generates significant revenue. Additional residential and commercial development is anticipated to be built over several years.

Lessons Learned

- **As in the City of La Verne, the Sacramento EIFD was easier to implement because the district included few property owners.** In the past, the City of Sacramento has also explored the potential use of EIFDs to help fund improvements along commercial corridors. One of the challenges they identified was the relatively high cost of noticing requirements for the EIFD relative to the scale of revenue potential. EIFD law requires that all property owners within the district are notified of the proposed EIFD and sent district-related materials such as a copy of the IFP. Additionally, AB 116 instituted a requirement that annual reports must be sent to all property owners within the district.
- **The large incoming private investment of the stadium made a strong case for an EIFD.** The prospect of an MLS stadium in the Railyards made an EIFD an attractive option for the City because tax increment could be generated quickly following the stadium construction. Because the growth in tax increment would arguably not otherwise occur in the absence of the stadium, this provides a strong rationale for the City to make an up-front loan for the infrastructure cost that will be repaid by funds generated by the stadium development.
- **The City loan to the MLS team will allow development in the EIFD to occur relatively quickly, with the cost paid back using tax increment revenue generated over time.** One of the challenges faced in implementing EIFDs and other TIF tools is that revenues are not generated until after development, and it can take several years for before tax increment

¹² This includes funding provided through HCD and Proposition 1C and B.

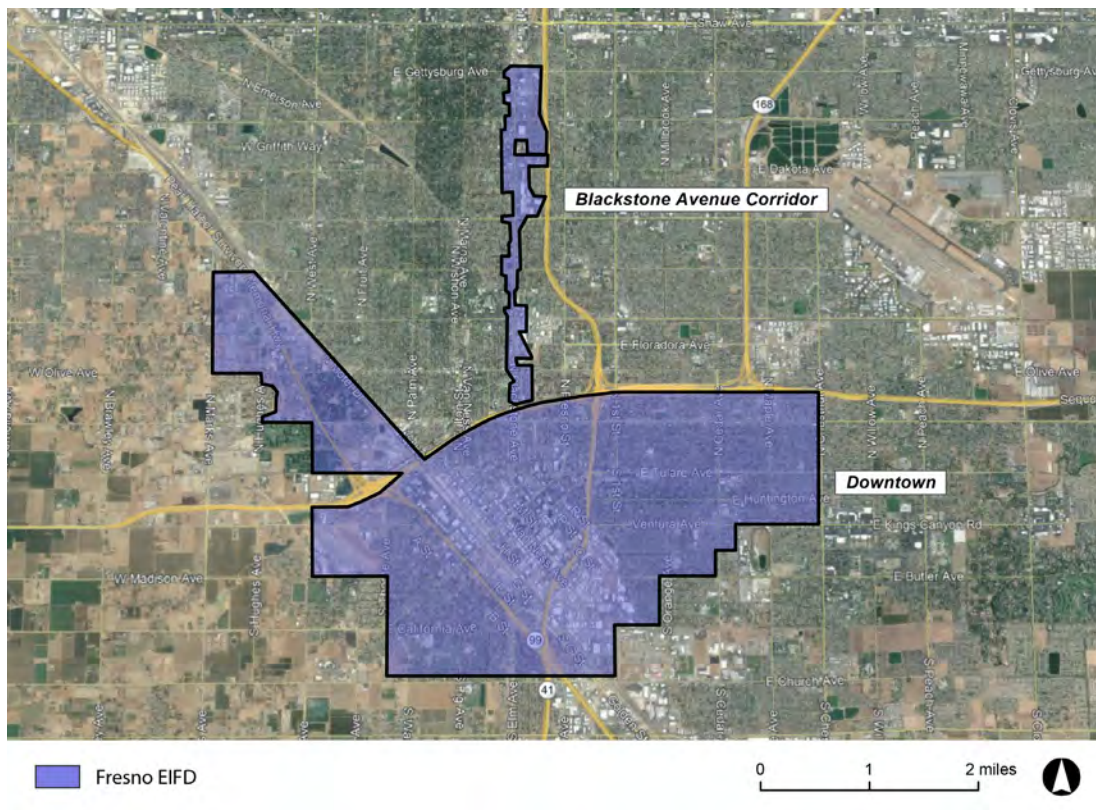
reaches an amount sufficient to directly fund projects or to bond against. The City of Sacramento's decision to provide a loan for the infrastructure will allow for the improvements to be built quickly, enabling the construction of the new stadium along with auxiliary development.

- **The main purpose of the EIFD is not to assist with housing development, however, it will help to facilitate some housing as an ancillary benefit.** The provision of foundational infrastructure will help to enable residential and commercial development, including some affordable housing, sooner than would otherwise occur.

IV. FRESNO EIFD CASE STUDY

The City of Fresno is currently in the process of forming an EIFD in its central core. The proposed district would include a total of 4,237 acres and approximately 16,000 parcels in two sub-areas: 1) the Downtown, and 2) the southern portion of the Blackstone Avenue Corridor. The Downtown contains the City's highest densities, and Blackstone Avenue is the City's primary north-south corridor that connects the Downtown with major commercial centers and residential neighborhoods in the northern areas of the City (Figure). Currently, the Southern Blackstone Avenue contains mostly low-density commercial uses, but the area is planned to transition to higher density mixed-use development.

FIGURE 5: FRESNO EIFD PROPOSED BOUNDARIES



Note: EIFD boundaries are approximate.
Source: Strategic Economics, 2020.

Project Goals and Formation

The primary goal of the Fresno EIFD is to help spur infill development in areas of the City's urban core that are planned for growth. In recent years, the Blackstone Corridor has been the focus of revitalization and transportation planning efforts and investment. The City's General Plan, adopted in 2014, encourages mixed-use development along the corridor, and in 2017 the City completed a transportation and housing study for the corridor.¹³ In February 2018, the corridor received a new rapid bus transit (BRT) line, and in March 2019, the Southern Blackstone Smart Mobility Strategy (SBASMS) was released and identified pedestrian and streetscape improvements needed along the corridor to realize the mixed-use vision.

In January 2019, Nelson Esparza assumed office as City Council member for District 7, which includes the Blackstone Corridor. Esparza was interested in the idea of tax increment financing to fund improvements in the City and sought the advice of the consultant group Kosmont Companies, which suggested the use of an EIFD to fund catalytic infrastructure projects.

The City has conducted the three required public hearings required by AB 116 and plans to formally establish the district in 2020 or 2021. Given that the COVID-19 pandemic is ongoing, and the future of the real estate market is uncertain, the City may wait to establish the district in 2021 to ensure that the base year for the district is not set during a time that values are decreasing. The City has not asked Fresno County to join the EIFD because the uncertainty of COVID-19 impacts will require the County to take more time to evaluate its position on joining an EIFD.

Fresno EIFD

Status: Proposed; Tentative formation in 2020 or 2021

Location: Central Valley, Fresno County

Housing Market Strength: Median home price is approximately \$265,000 in Fresno County; incentives are needed to enable mixed-use development along the Blackstone Corridor.

City Property Tax Allocation: 30% of City increment allocated to EIFD; City receives 23.38% of general property tax rate

Transit: Blackstone Corridor BRT (FAX Q line)

Infrastructure Cost and Goal: \$100 million of multi-modal transportation and related improvements to spur infill development.

¹³ "Blackstone Corridor Transportation + Housing Study," April 2017. https://agendas.fresnocog.org/itemAttachments/399/II_B_1_Blackstone_Corridor_Report_April_2017_Screen_.pdf.

Development Program and Financing Plan

- **Development program.** EIFD funded Infrastructure projects are expected to help facilitate new development in the district, including transit-oriented development along Blackstone Corridor as outlined in the City's General Plan and the SBASMS. Anticipated future private development in the district includes approximately 10,000 residential units, 200,000 square feet of commercial and retail space, and 350 hotel rooms.

Affordable housing. The EIFD does not have an explicit affordable housing component, and Fresno does not have an inclusionary housing requirement. However, increasing affordable housing does appear to be a goal of the district and is identified in City planning documents such as the Blackstone Corridor Transportation and Housing Study (2017), which focuses on revitalization efforts for the corridor.¹⁴ The City has considered the possibility of using tax increment to support affordable housing at a later date.

- **EIFD funded facilities.** An estimated \$100 million of infrastructure improvements are planned for the district. About half of the estimated EIFD revenues are planned to be used for pedestrian and streetscape improvements identified in the SBASMS. Additional infrastructure and other EIFD eligible projects will be identified at a later date.
- **Anticipated funding and financing sources.** EIFD projects will be funded directly by tax increment revenues and the sale of bonds. The EIFD is anticipated to generate \$315 million over its life. Bond financing estimates have not yet been projected.
- **Phasing.** Pedestrian and streetscape improvements in the Blackstone corridor are currently planned to be completed first. The SBASMS identifies \$3.3 to \$5.0 million for pedestrian and streetscape improvements in the near term and another \$53 million for more extensive street improvements over the long-term. The Blackstone Corridor currently contains a sufficient amount of infrastructure to support some new development, but as more development is added, more extensive infrastructure upgrades will be needed, which the EIFD anticipates funding at a later date and potentially using bonds.

Lessons Learned

- **The large number of property owners within the Fresno EIFD boundaries has not presented a major obstacle in the formation process.** There is often concern that a greater number of property owners within a district may increase the likelihood that some property owners will actively challenge the district's formation. However, this challenge has not materialized in the case of Fresno. While many property owners have participated in public meetings, there has been little opposition. Instead, property owners have largely used the public forum to ask questions. The most common question has been whether the EIFD is an additional tax, which the City has been able to clarify that it is not. Meeting the noticing requirements for the EIFD, which requires mailings to landowners within the proposed

¹⁴ "Blackstone Corridor Transportation + Housing Study," April 2017.

district during formation and annually thereafter, has proved expensive, but has not deterred the City.

- **The Fresno EIFD demonstrates the importance of having a project champion.** City Councilmember Nelson Esparza has played an important role in advocating for an EIFD in Fresno. He first sought out Kosmont Companies to learn more about their work on TIF districts and has since played a key role in planning and coalition building among other city councilmembers during the district formation process.
- **While the district meets the demographic and other requirements for a CRIA, the City ultimately opted to pursue an EIFD instead.** CRIAs are designed to be used in low-income or otherwise disadvantaged areas, and Fresno's proposed district is in an area that meets the location criteria.¹⁵ However, the City ultimately did not pursue a CRIA because while it would offer some additional powers and flexibility in use of funds, it also requires a 25 percent set aside for housing affordable to low- and very-low income households. An EIFD allows the City more flexibility to focus on infrastructure in early phases while retaining the option to use TIF revenue for affordable housing at a later date.
- **EIFD Infrastructure improvements will be phased as tax increment revenues grow over time.** As in the case of the City of La Verne's EIFD, Fresno will pace the scale of infrastructure improvements based on the timing of tax increment revenues, which creates some uncertainty about the timing of future investments.

¹⁵ CRIAs may only be formed in areas that meet one of the three options below:

- (1) At least 80 percent of the census tract or block groups meet criteria related to household income, unemployment, crime rate, and/or deteriorated infrastructure.
- (2) Census tracts or census block groups are within a disadvantaged community (CalEPA definition)
- (3) Area within a former military base that has significantly deteriorated infrastructure/ structures.