American Planning Association

Inland Empire Section Workshops

June Workshop – Post Redevelopment Project Financing

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OVERVIEW

- **TOOLS** – Sources and Mechanisms
- **PARTNERSHIPS** – Aligning Public/Private Interests
- **NEW MINDSETS** – Making In-Fill Easier

PREAMBLE
REDEVELOPMENT: WHAT WE LOST

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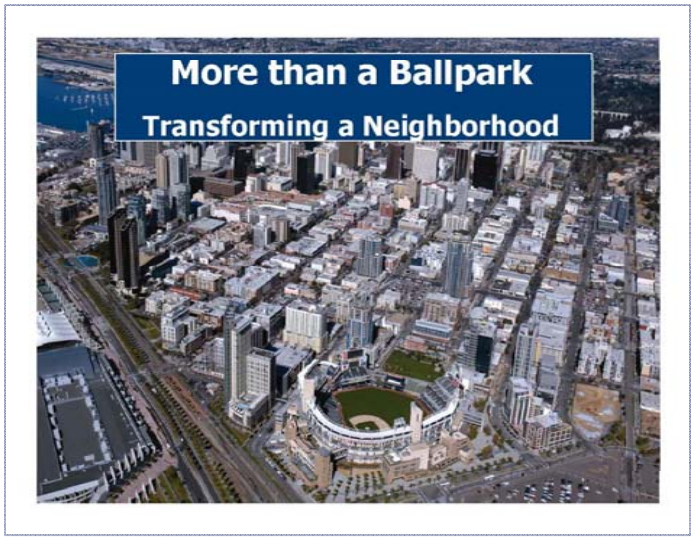
What did Redevelopment Agencies do with all that Money?

- Land assembly and relocation
- Site preparation and remediation
- Off-site infrastructure / "placemaking" amenities
- Gap financing for catalytic/anchor developments
- Affordable housing
- Studies / strategies / plans / EIRs

Redevelopment Beyond Blight Removal

- Stimulating development
- Upgrading public facilities
- Generating tax revenues

Greatest impact when strongest consensus



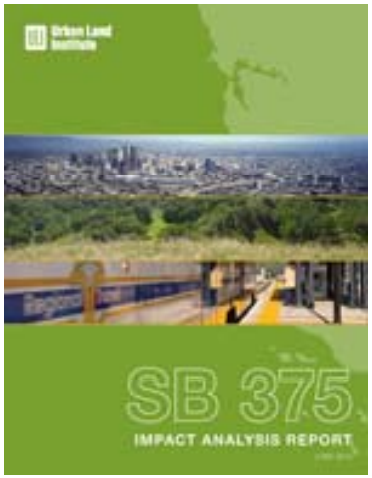
Were Expectations Too High?

- Luxury Hotel
- Street Retail
- Civic Amenities
- Minimum Density
- Fiscal Benefits

BEFORE

AFTER

REDEVELOPMENT IS DEAD; LONG LIVE THE "24/7" CITY



- Development trends increasingly favor live/work/play communities
  - Driven by demand/demographics/lifestyle
  - Value premium for housing in walkable mixed-use districts
- Mixed-use projects often still financially infeasible

AB 32
California Assembly Bill

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TOOLS:

FUNDING FACILITIES AND IMPROVEMENTS

Without Tax Increment, Who Pays for Revitalization and Redevelopment?

- City
- State/Federal
- Developer/Owner/User

Project-Specific Tax Revenue Sharing

City

- "Rebates" of portions of net new tax revenues generated by catalytic development projects
- Typically sales tax and/or transient occupancy tax (TOT)

Infrastructure Financing Districts (IFDs)

City

- Cities can form an IFD to channel tax increment toward public infrastructure and facilities
- IFD can pledge tax increment to bond financing
- May not overlap previous redevelopment areas
- Requires election if more than 12 registered voters
- Pending State Legislation to reform/expand IFD law: AB 294, AB 662, AB 690, SB 33, and SB 628

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Other City Financing Mechanisms

City

- Reduction/Deferral of Permits/Fees


CARLSBAD: Council backs building fee deferral request

SEPTEMBER 12, 2012 5:00 AM • BY BARBARA HENRY BHENRY@NCTIMES.COM

- Income and Asset Management Funds
- Local Infrastructure Bond

Community Development Block Grants (CDBG)/HUD Section 108 Loans

State/Federal

- *CDBG* – Federal grants for economic development and public facilities
- *Section 108* – Loans against future CDBG allocation to pay upfront costs for large-scale economic development projects

New Markets Tax Credits

- Investors receive credit against Federal income taxes for making equity investments in Community Development Entities (CDEs)
- CDEs lend, invest, "grant" funds to qualifying real estate/economic development projects

- Yields 39% tax credit over 7 years
- Civic San Diego recently formed a CDE and received $35 million allocation

Immigrant Investor Pilot Program (EB-5)

State/Federal

- Grants green cards to foreign nationals for investing a minimum of:
  - $500,000 in a project in a high unemployment area, or
  - $1M in businesses to create 10 full-time permanent jobs

- Funds are typically pooled through syndicators and invested in target projects, e.g., hotels

Other State/Federal Financing Mechanisms

- Enterprise Zones
- Low Income Housing Tax Credits and Tax-Exempt Bond Financing

Developer Exactions/ Reimbursement Agreements

Developer/Owner/User

- *Developer Exactions* – Developer pays to build required improvement or facility
- *Reimbursement Agreements* – Developer advances more than their fair share; receives reimbursement from future developers

Development Impact Fees

- Fees paid by developers for all or a portion of the costs of any public facility that benefits their project

Developer/Owner/User

Landscaping/Parking Districts and Business Improvement District (BIDs)

- Assessments or in-lieu fees charged to business or property owners for capital or operating costs
- Parking Districts allow shared parking solutions and enable increased density
- Property-based BIDs maintain public improvements, provide security, and lead marketing efforts

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Special Assessment Districts and Community Facilities Districts (CFDs)

Developer/Owner/User

- *Special Assessment Districts* – Assessments typically used to pay bond debt service on capital improvements; must be proportionate to benefits received by owners
- *CFDs* – Tax against property located within a district to fund public facilities and/or services; more flexible than Assessment Districts

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PARTNERSHIPS:

HOW DO WE MAKE IT HAPPEN?

Use Other People's Money

- Combine Federal, State, and local sources

EB-5 Visas

New Markets Tax Credits

Low Income Housing Tax Credits

Enterprise Zones

- Focus and leverage resources require local matching funds through developer fees, BIDs, etc.

EXACT FROM DEVELOPERS AND OWNERS/USERS

- Developer contributions/advances
- DIFs
- Property-based BIDs
- Value capture around transit (CFD)
- Density bonuses for community benefits (value capture)

Form Public/Private Partnerships

- Public land resources
  - Transit parking lots
  - Publicly owned surplus property
  - Obsolete public facilities

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Form Public/Private Partnerships

- Districtwide Parking
  - City has access to low-cost financing
- Public Parks – Capital and Operating Costs

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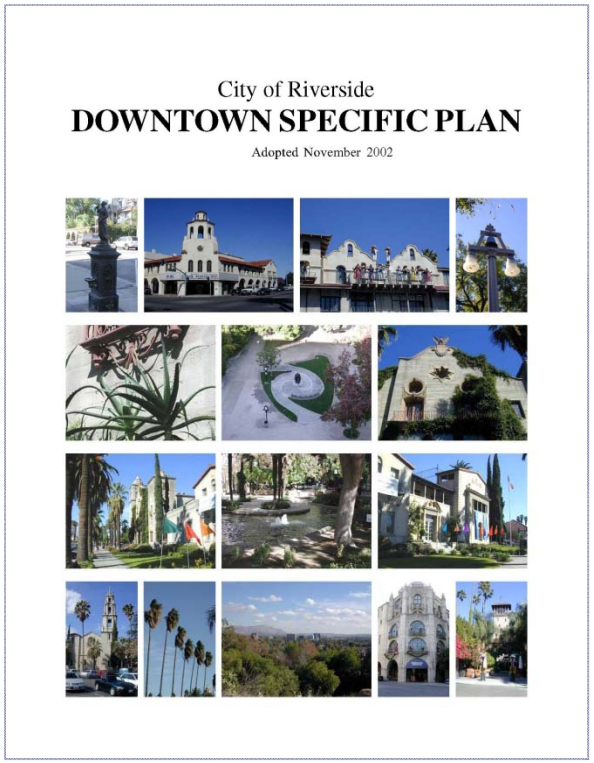
NEW MINDSETS:

REDUCING COSTS AND UNCERTAINTY

CREATE 21ST CENTURY LAND USE PLANS

- Specific Plans with Program EIRs
- Match zoning and design criteria to real construction prototypes
- Exchange increased density for community benefits:
  - Public infrastructure
  - Affordable housing
  - Other policy objectives



Does land Value Increase With Density?

- 10 units/acre
- $75,000/unit
- $750,000
- $17/SF

- 20 units/acre
- $45,000/unit
- $900,000
- $21/SF

- 40 units/acre
- $30,000/unit
- $1,200,000
- $28/SF

Overhaul Parking Requirements

- Right-size parking ratios
- Unbundle parking spaces
- Encourage shared use and parking management

Re-Think Parking

- Wrap parking in walkable block configuration

- Non-podium alternatives

Key Recommendations:

Achieving Success without Tax Increment

KEY RECOMMENDATIONS

1. Deploy surplus property
2. Focus on catalytic projects with community consensus
3. Leverage multiple funding sources
4. Form partnerships with other public agencies and community organizations
5. Update community plans and DIF schedules
6. Change parking requirements
7. Issue a local infrastructure bond

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