WHAT'S OLD, WHAT'S NEW AND WHAT WORKS: INFRASTRUCTURE AND AFFORDABLE HOUSING FINANCING IN THE POST-REDEVELOPMENT ERA

Corner Briefing: October 2016
Infrastructure Financing After Redevelopment

» The dissolution of redevelopment agencies requires creative ways to finance infrastructure for the viability of new and more efficient development projects.

» Enhanced Infrastructure Financing Districts (EIFDs) provide a vehicle to finance public and private projects of "community-wide significance," including, among other things, transportation facilities, environmental remediation and affordable housing.

• EIFDs channel one or more taxing agencies’ (e.g., municipalities) tax increments to finance qualifying capital projects.

» In many cases, EIFDs work better when paired with other financing mechanisms – some old and some new – that are available under California law.
What’s Old, What’s New and What Works

What's Old:

Mello-Roos Community Facilities Districts (CFDs) Gov. Code § 53311 et seq.
- Financing for services and capital facilities, supported by special taxes
- Since tax-increment funds from the newer EIFDs only flow after development begins, they may require other upfront funds (e.g., CFD funds) to "prime the pump" and get the project started
- CFDs also provide an opportunity to fund services, not just capital projects

What's Leading Edge (2015):

Enhanced Infrastructure Financing Districts Gov. Code § 53398.50 et seq.
- Financing for a broad range of capital projects supported by tax increment, Vehicle License Fee (VLF) backfill and other sources
- For more details on EIFDs, see Holland & Knight's EIFD presentation and EIFD client alert

Infrastructure Revitalization Financing Districts (IRFDs) Gov. Code § 53369 et seq.
- Financing for capital projects supported by tax increment
- Flexibility to form "project areas" within district

What's Cutting Edge (2016):

Community Revitalization and Investment Authorities (CRIAs) Gov. Code § 62000 et seq.
- Tax increment financing, especially for affordable housing, in blighted areas

Revisions to the EIFD Law Stats. 2015, Chapters 320 & 793
- "Seaport Infrastructure Financing District" authorized as a special type of EIFD
Current law provides a patchwork of different options …

What works is to "mix and match" to find the right fit for your project:

<table>
<thead>
<tr>
<th>Areas</th>
<th>Mello-Roos/CFDs</th>
<th>EIFDs</th>
<th>IRFDs</th>
<th>CRIAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Sources for Debt Service</td>
<td>Revenue from special tax</td>
<td>Tax increment, &quot;net available revenue&quot; from redevelopment funds, Vehicle License Fee backfill, grants/loans and other sources (other than school funds)</td>
<td>Tax increment and &quot;net available revenue&quot; from redevelopment funds (other than school funds)</td>
<td>Tax increment, grants/loans and other sources (other than school funds)</td>
</tr>
<tr>
<td>Uses for Financing</td>
<td>Enumerated services (police/fire, recreation, maintenance, etc.) and construction of capital facilities; affordable housing related services</td>
<td>Any &quot;public capital facilities&quot; or other &quot;specified projects of communitywide significance&quot; (brownfields restoration, transit priority projects, etc.), including affordable housing</td>
<td>&quot;Facilities or projects of communitywide significance&quot; (brownfields restoration, transit priority projects, etc.)</td>
<td>Specified projects within specified eligible blighted areas: infrastructure, affordable housing, environmental remediation, assistance to businesses, etc.</td>
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<tr>
<td>Voter Approval</td>
<td>2/3 approval</td>
<td>55 percent approval to issue bonds; no voter approval to create district</td>
<td>2/3 approval to create district and to issue bonds</td>
<td>Majority approval required if 25 percent of district's residents and property owners object to plan</td>
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<tr>
<td>Longevity of District/Bonds</td>
<td>Maximum term for maturity of bonds is 40 years</td>
<td>District must cease to exist 45 years from bond issuance</td>
<td>Maximum 40 years of tax increment; maximum maturity date of bonds is 30 years</td>
<td>District must cease to exist 45 years from date of creation; maximum term for maturity of bonds is 40 years</td>
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<tr>
<td>Ability to Create Smaller Areas Within District</td>
<td>Yes. CFDs may create specific improvement areas within district</td>
<td>No</td>
<td>Yes; IRFDs may create specific project areas within the district, subject to distinct limitations and financing</td>
<td>No</td>
</tr>
</tbody>
</table>
Conclusions

» The California Legislature has created several "Redevelopment 2.0" tools, but individually, they may not infuse enough capital to get some projects going.

» Strategic pairing of new and old public finance tools may be required to "prime the pump.

What's Next

» likely higher cost of capital and the need for innovation

» affordable housing capital finance legislation and grant programs

» use of a layered capital stack