



Tax Increment Financing (“TIF”) District Preliminary Feasibility Analysis

January 30, 2020

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Kosmont Companies**

Executive Summary

- Fresno is well positioned for significant development potential (~\$4.6B+) over the next 5-20+ years in various opportunity site areas (e.g. Blackstone and other Bus Rapid Transit Corridors, Downtown, South Industrial Area, West Fresno Area)
- Next step being considered is establishment of a tax increment financing (TIF) district to capture the value of future development to [reinvest in the community](#) by facilitating the development of housing and the implementation of critical public infrastructure (e.g. Smart Mobility Plan transportation, utility, open spaces)
- The State of CA has authorized numerous tools to achieve these objectives since the dissolution of Redevelopment Agencies, such as [Enhanced Infrastructure Financing Districts \(EIFD\)](#) and [Community Revitalization and Investment Authorities \(CRIA\)](#)
- This presentation summarizes a preliminary analysis of TIF district feasibility for Fresno
- Potential next steps include discussion with potential partners (e.g. County of Fresno), preparation of the Infrastructure Financing Plan (IFP), and requisite public hearings

Outline

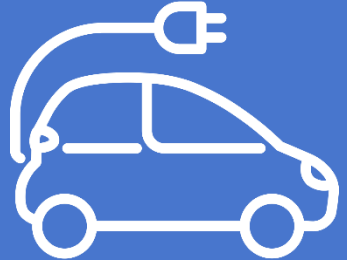
1. Overview of TIF / EIFD / CRIA
2. Boundary and Strategic Considerations
3. Potential Partners / Stakeholder Agencies
4. Financing and Funding
5. Implementation Roadmap (e.g. Milestones, Timing)

State Committed to Sustainability & Housing

California state government is driving us in two directions, creating new mandates and policy tools:

SUSTAINABILITY & MOBILITY

Greenhouse gas reduction; zero carbon energy resources by 2045



HOUSING

Increasing production and adding higher density supply near transit to combat affordability crisis

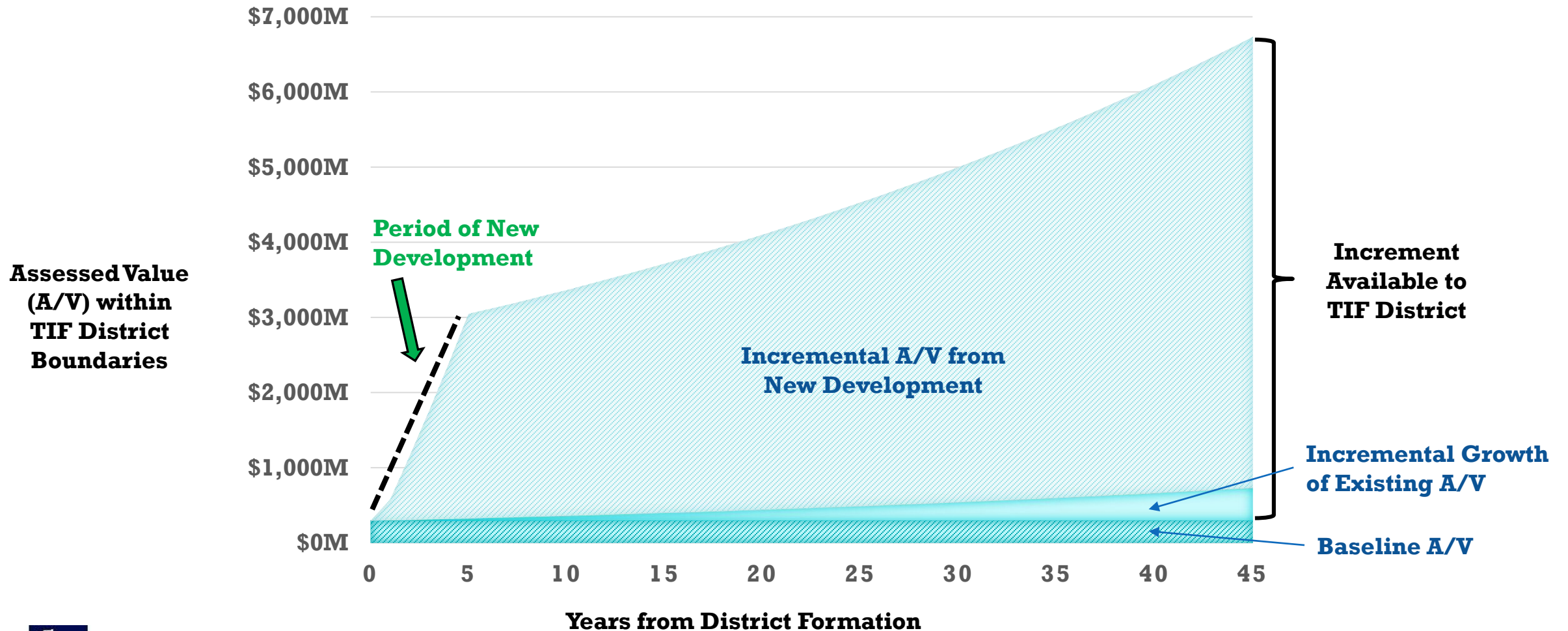


Continued Legislation Improves Sustainability and Housing Tools

<u>Date</u>	<u>Legislation</u>
9/29/2014	SB 628 signed by Governor, authorizing EIFDs
9/22/2015	AB 313 signed by Governor, revising EIFD legislation AB 2 signed by Governor, introducing CRiAs
9/23/2016	AB 2492 signed by Governor, amending CRIA
9/29/2017	Governor signs housing bill package: SB 540 (WHOZ), AB 73 (HSD), SB 35, SB 2, SB 3, AB 167, AB 678, AB 1515, AB 1505, AB 1521, AB 1397, SB 166, AB 72, AB 879, AB 571
10/7/2017	AB 1568 signed by Governor, introducing NIFTI as part of EIFDs
10/13/2017	AB 1598 signed by Governor, introducing Affordable Housing Authorities (AHAs)
9/19/18	SB 1145 signed by Governor, enables EIFD spending for <u>maintenance</u> SB 961 signed by Governor, NIFTI 2 additionally available under EIFD
9/28/18	AB 2035 signed by Governor, clarifies AHA provisions, expands to include homeless / transitional housing
10/9/19	AB 116 signed by Governor, eliminates public vote for EIFD bond issuance, requires additional meetings and protest hearing at formation
2020 Session	More to come... (e.g. SB 5 2.0, AB 116 clean-ups)

Tax Increment Mechanisms

Illustrative



Note: Illustrative. Conservative 2% growth of existing assessed value (A/V) shown; does not include mark-to-market increases associated with property sales.

EIFD Fundamentals

Term	45 years from first bond issuance
Governance	Public Financing Authority (PFA) led by city or county implements Infrastructure Financing Plan (IFP) – IFP is the investment plan of the EIFD, managed by the PFA
Eligibility	City, County, Special District; school district increment exempt
Approvals	Mandatory public hearings for formation (includes protest opportunity); no public vote to issue debt (updated as of 10/9/19 with adoption of AB 116)
Eligible Projects	Any property with useful life of 15+ years & of communitywide significance; purchase, construction, expansion, improvement, seismic retrofit, rehabilitation, and <u>maintenance</u>

Does NOT increase property taxes

CRIA Fundamentals

Term	30 years to issue debt; 45 years to repay
Governance	Public agency separate from the city, county that created it; eminent domain powers for first 12 years
Eligibility	City or County that meets disadvantaged community definitions (median income, unemployment, crime, deterioration)
Approvals	Mandatory public hearings for formation (includes protest opportunity); no public vote to issue debt
Eligible Projects	Economic revitalization; 25% affordable housing set aside

Does NOT increase property taxes

Types of Projects EIFD and CRIA Can Fund

Partial List



Industrial Structures



Aff. Housing / Mixed Use



Transit Priority / RTP / SCS Projects



Wastewater/Groundwater



Light / High Speed Rail



Civic Infrastructure



Parks & Open Space



Childcare Facilities



Brownfield Remediation

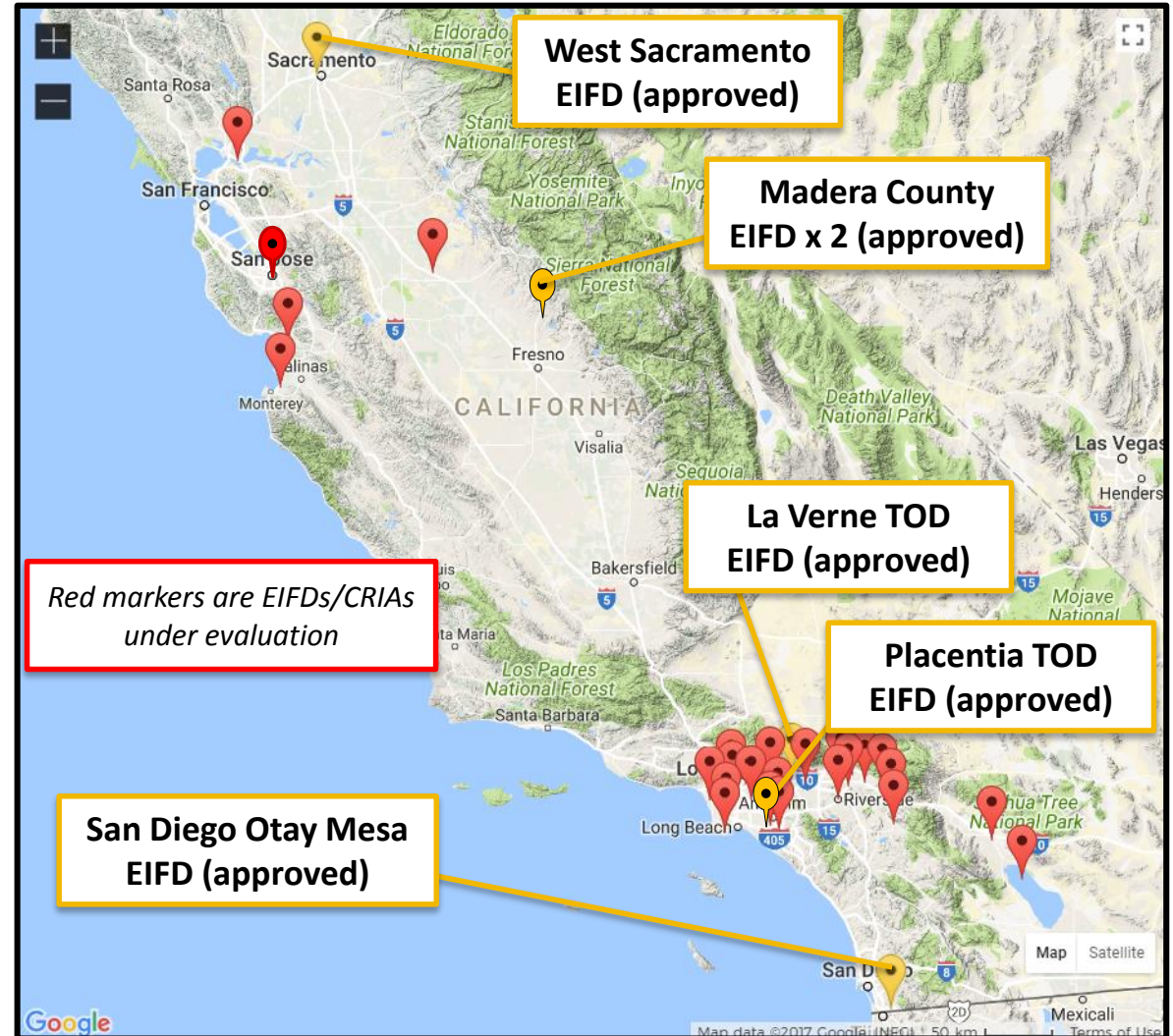
Why are Public Agencies Authorizing TIF Districts?

1. Return on Investment: Private sector investment induced by district commitment accelerates growth of **net fiscal revenues, job creation, housing production, essential infrastructure improvements**
2. Ability to attract additional funds (“OPM”) – tax increment from other entities (cities, special districts), federal / state grants / loans (e.g. for TOD, water, housing, parks)
3. Ability to bundle other revenues – sales tax, property tax in lieu of VLF, ground lease, development impact fees, developer contributions
4. Implement housing and climate action goals (local / regional infrastructure)
5. Long-term, committed revenues support investor confidence
6. Districts are evolving economic development tools: State is moving to a greener economy, has added 5+ new districts and approved over 2 dozen statutes for sustainability and housing in the past 4 years; District flexibility, effectiveness, and revenue sources expand with each legislative session
7. No new taxes

Districts in Progress Statewide

Partial List

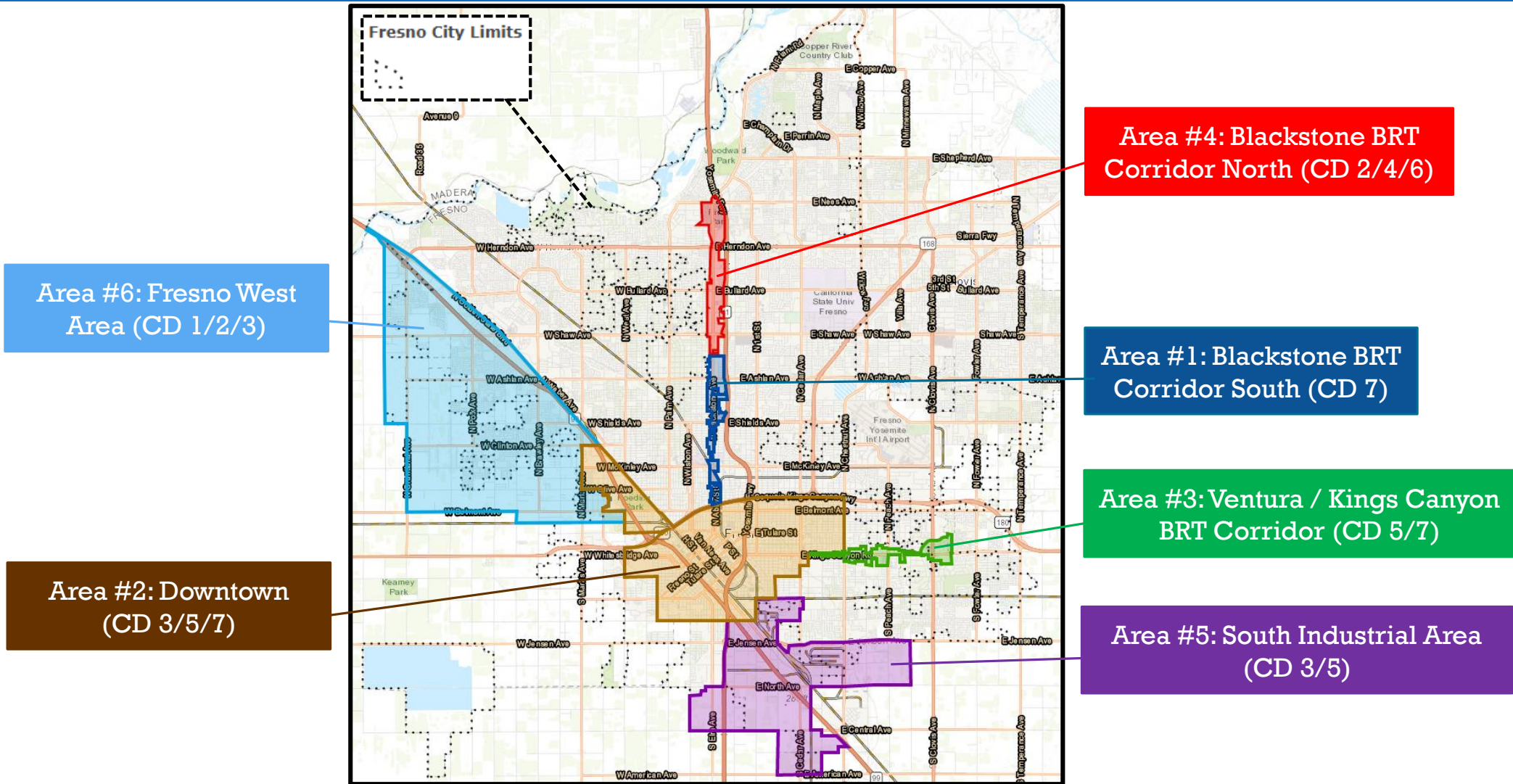
1. Atwater
2. Azusa
3. Buena Park
4. Carson
5. Duarte
6. El Cajon
7. El Monte
8. Grand Terrace
9. High Desert Corridor (Palmdale, Lancaster, Adelanto, Victorville, Apple Valley)
10. I-5 Corridor (Commerce, Downey, La Mirada, Norwalk, Santa Fe Springs)
11. Imperial County
12. Inglewood
13. **La Verne + L.A. County**
14. Long Beach
15. Los Angeles (San Pedro, Wilmington, Vermont Corridor, LA River)
16. Los Angeles County (Unincorporated West Carson)
17. Ontario
18. Palmdale
19. Pittsburg
20. **Placentia + Orange County**
21. Redlands / San Bernardino
22. **Redondo Beach + L.A. County**
23. Rialto
24. Richmond
25. Riverside
26. Riverside County
27. Sacramento County
28. San Jose
29. San Luis Obispo
30. Santa Ana
31. Santa Fe Springs
32. Seaside
33. South Gate
34. St. Helena
35. West Santa Ana Branch Transit Corridor (Los Angeles City and County, Vernon, Huntington Park, Bell, Cudahy, South Gate, Downey, Paramount, Bellflower, Cerritos, Artesia)



Source: Kosmont EIFD/CRIA website (<https://www.kosmont.com/services/eifd-cria/>)

Map of EIFD/CRIA Study Areas

Includes Both Incorporated and Adjacent Unincorporated Areas



Source: Fresno County Dept. PWP, Bureau of Land Management, Esri, HERE, Garmin, USGS, NGA, EPA, USDA, NPS

Study Area Parcel Details

Area	Approx. Acreage	Approx. Existing A/V Within City	Approx. Existing A/V In County	Total Approx. Existing A/V	% of Citywide A/V
Area #1: Blackstone BRT Corridor South	352	\$315,247,094		\$315,247,094	0.9%
Area #2: Downtown	3,885	\$2,577,714,248		\$2,577,714,248	7.0%
Area #3: Ventura / Kings Canyon BRT Corridor	361	\$318,991,770	\$17,534,961	\$336,526,731	0.9%
Area #4: Blackstone BRT Corridor North	650	\$820,504,203		\$820,504,203	2.2%
Area #5: South Industrial Area	5,061	\$613,682,888	\$167,595,615	\$781,278,503	1.7%
Area #6: Fresno West	10,523	\$2,547,366,444	\$439,063,602	\$2,986,430,046	7.0%
Combined Study Area	20,832	7,193,506,647	624,194,178	7,817,700,825	19.6%
City of Fresno Total	73,410	\$36,613,200,610		\$36,613,200,610	100.0%



A/V = Assessed Value

Note: The analysis summarized on the following pages in this document focuses on the growth of A/V within City limits (i.e. not including unincorporated County jurisdiction)

Source: Fresno County Auditor-Controller (2019)

Future Development Assumptions

Absorption Assumed over 15-20 Years

Area	# SF or Units	Estimated AV Factor	Estimated Total AV at Buildout
<u>Area 1: Blackstone South</u>			
MF Residential	1,056 units	\$200,000 per unit	\$211,260,000
Commercial	35,000 SF	\$200 PSF	\$7,000,000
<u>Area 2: Downtown</u>			
MF Residential	7,800 units	\$200,000 per unit	\$1,560,000,000
SF Residential	1,200 units	\$400,000 per unit	\$480,000,000
Commercial	100,000 SF	\$200 PSF	\$20,000,000
<u>Area 3: Ventura / Kings Canyon</u>			
MF Residential	1,084 units	\$200,000 per unit	\$216,828,000
Commercial	35,000 SF	\$200 PSF	\$7,000,000
<u>Area 4: Blackstone North</u>			
MF Residential	1,950 units	\$200,000 per unit	\$389,934,000
Commercial	75,000 SF	\$200 PSF	\$15,000,000
<u>Area 5: South Industrial</u>			
Industrial	7,000,000 SF	\$100 PSF	\$700,000,000
<u>Area 6: West Fresno</u>			
SF Residential	2,600 units	\$400,000 per unit	\$1,040,000,000
Commercial	75,000 SF	\$200 PSF	\$15,000,000
Total Residential	15,690 units		\$3,898,022,000
Total Commercial / Retail / Office	320,000 SF		\$64,000,000
Total Industrial	7,000,000 SF		\$700,000,000
Total New Development Assumed			\$4,662,022,000

Note: AV at buildout values in current 2019 dollars. Does NOT include areas currently outside City limits which may or may not be annexed in the future.

Source: City of Fresno General Plan – Projections of Development under General Plan Horizon (2035)

Potential Partner Agencies

Property Tax Distribution

- ✓ Primary non-school recipients and potential contributors of property tax are **City of Fresno** and **County of Fresno**
- ✓ City receives approximately **24.0%** of every \$1 collected in property taxes on average (varies by Tax Rate Area)
 - City additionally receives equivalent of approx. **12.1%** of property tax in lieu of MVLF, also available to TIF District
- ✓ County receives approx. **13.6%** of every \$1 collected in property taxes on average
- ✓ School-related entities cannot participate

Taxing Entity	Pre-ERAF Distribution	ERAF Shift	Post-ERAF Distribution
City of Fresno	30.9%	(22.4%)	24.0%
County of Fresno	28.7%	(52.5%)	13.6%
Fresno Unified	28.1%		28.1%
State Center College	4.5%		4.5%
Fresno Metropolitan Flood	3.3%	(37.2%)	2.1%
SCH Equalization	2.2%		2.2%
Fresno County Library	1.5%	(13.0%)	1.3%
Fresno Mosquito Abatement	0.9%	(42.3%)	0.5%
ERAF	0.0%	+23.8%	23.8%
Total	100.0%		100.0%

Tax Rate Area (TRA) 005-001 shown for reference – does NOT represent distribution of property tax within all areas of the City (analysis uses actual distribution rates specific to each Study Area)

ERAF = State Education Revenue Augmentation Fund

Parcels within former Redevelopment Agency Project Areas are subject to RPTTF revenue flow until expiration of ROPS obligations of ~\$35.1M anticipated in 2045

Source: Fresno County Auditor Controller (2019)

Scenario Analysis Summary Matrix

All Study Areas Combined

- The table below summarizes the revenue potential for each revenue contribution scenario
- CFD Special Tax scenarios are shown as an example complementary funding source to TIF

TIF District Revenue Contribution Scenario	Year 5 Annual Revenue	Year 5 Bonding Capacity*	50-Year Total Increment
A) City 25%	\$2,067,000	\$20.0M	\$522M
B) City 50%	\$4,134,000	\$40.6M	\$1,044M
C) City 25% + County 25%	\$2,879,000	\$28.1M	\$727M
D) City 50% + County 50%	\$5,758,000	\$56.9M	\$1,455M

CFD Special Tax Scenario	Year 1 Annual Revenue	Year 1 Bonding Capacity*	30-Year Total Revenue
CFD @ 0.1% of A/V	\$7,656,000	\$97.2M	\$457M
CFD @ 0.2% of A/V	\$15,313,000	\$195.1M	\$914M

* Bonding capacity assumes Year 5 is first bond issuance for TIF District and Year 1 is first bond issuance for CFD. "Year 1" means first year of revenue following district formation. Assumptions for each scenario detailed in the Appendices. \$2019.

EIFD and CRIA with a City/County Partnership

- Ideal strategy includes a County contribution
- TIF Districts which involve a City / County joint effort are more likely to win state grant funding sources

Federal & State Sources

- Cap-and-Trade / HCD grant & loan programs (AHSC, IIG, TCC)
- Prop 1 bond funds / Prop 68
- SB 1 Road funds
- SB 2 Transfer Tax funds
- Federal DOT / EPA / EDA funding

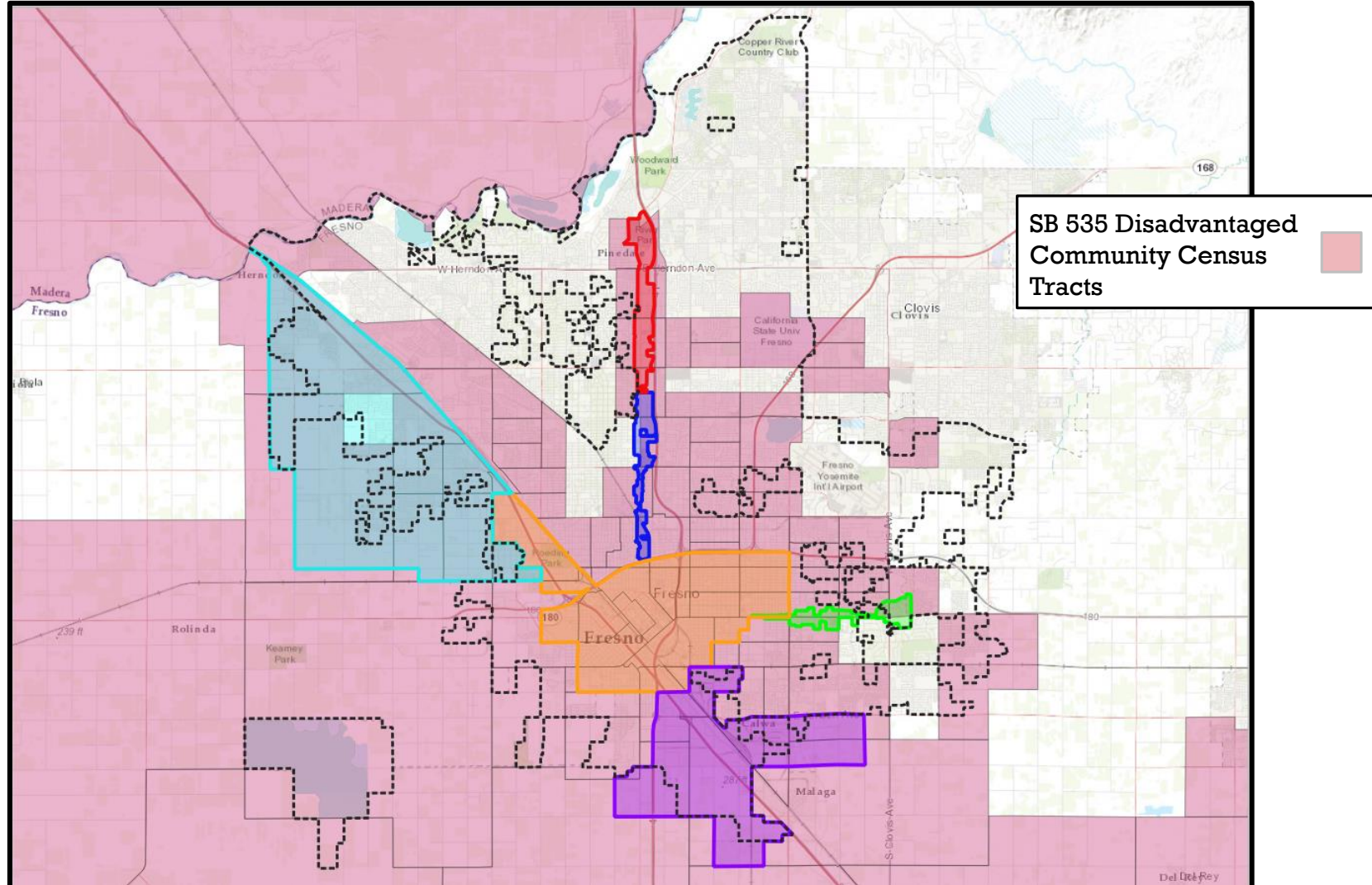


Other Potential Funding Sources

- Property tax revenue including RPTTF
- Vehicle license fee (VLF) prop. tax backfill increment
- Development Agreement / impact fees
- Benefit assessments (e.g. contribution from CFD)
- Local transportation funding (e.g. Measure M/R)
- Private investment

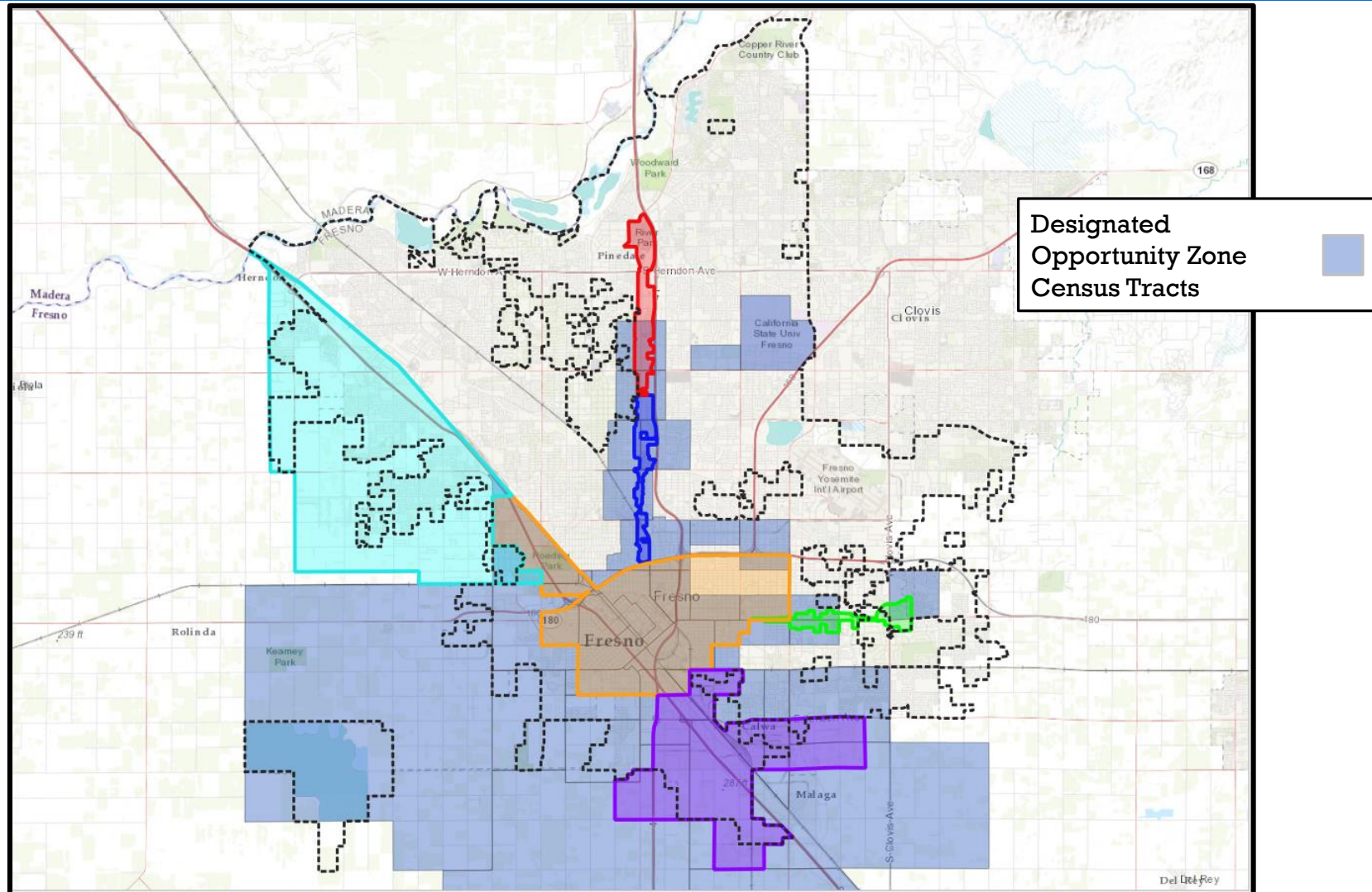
Increased Eligibility for Grants

Disadvantaged Community Census Tract Designation



Source: California Environmental Protection Agency (CalEPA) CalEnviroscreen 3.0 (2019)

Opportunity Zone Census Tract Designation *Federal Capital Gains Tax Deferral / Elimination*



Source: California Opportunity Zone Toolkit, US. Department of Treasury (2019)

Fresno “Return on Investment”

- Fresno “Return on Investment”:
 - Implement essential infrastructure and public improvements
 - Social impacts: Quality of life improvement, environmental sustainability
 - Housing: **15,600+ housing units** at various income levels
 - Economic benefits: **Thousands of direct, permanent jobs**
 - Positive City general fund net fiscal impact

Report Card on City/County TIF District Partnerships

A growing number of cities are partnering with counties to fund infrastructure through TIF Districts:

- **Placentia** *(fully formed)*
 - **First City/County EIFD partnership** approved in the State to fund infrastructure around future Metrolink station for the 91 line.
 - Improvements to the area will include transit-supportive infrastructure, parking/roadway/circulation, open space, water/sewer capacity improvements.
- **La Verne** *(formed by City in October 2017; L.A. County joined January 14, 2020)*
 - City/County contributions will fund infrastructure around future Gold Line station
 - Improvements to area will include mixed-use housing, station area infrastructure, and sustainable projects
- **Redondo Beach** *(L.A. County Resolution of Intent November 5, 2019 – PFA Appointments Completed Jan. 14th, 2020)*
 - City/County contributions will fund infrastructure for 50.1-acre AES Redondo Beach Power Plant site
 - Improvements to area will include regional coastal park with restored wetlands, streets/circulation/coastal access, parking, and site clean-up/remediation efforts.

Next Steps

- Receive and incorporate feedback from City staff and City Council
- Discuss with potential partners (e.g. County) to determine feasibility for cooperation (County Opportunity Analysis including TIF District evaluation dated September 2019)
- Refine analysis assumptions (e.g. boundary, development projections, levels of contribution, targeted infrastructure costs) based on continued outreach and feedback
- Pursue district formation to establish base year for incremental value growth as soon as feasible
- Promote development opportunity sites in Opportunity Zone areas with preparation and circulation of an “OZ Prospectus”
- Continue to pursue opportunities for external funding sources (e.g. IIG and AHSC grants)

Disclaimer

The analyses, projections, assumptions, rates of return, and any examples presented herein are for illustrative purposes and are not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ from those expressed in this analysis.

Discussions or descriptions of potential financial tools that may be available to the City are included for informational purposes only and are not intended to be to be “advice” within the context of this Analysis.

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THANK YOU

Questions?

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