



EIFD Preliminary Feasibility Analysis

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Project Background

- **Existing conditions:**

- ~324 acres within Grand Terrace included in the preliminary EIFD project area, including ~665,000 SF of existing buildings and ~204 acres of vacant land
- Agreements recently reached with Lewis Group for purchase and sale of ~55-acre freeway opportunity site; various other private development projects planned or proposed
- Required infrastructure improvements to support future private development, including roadway, water/sewer, parks, other

- **Challenges:**

- Unlikely for existing infrastructure to support high quality development without significant upgrades
- There are fewer economic development tools available to assist in area-wide revitalization following the dissolution of redevelopment agencies
- Competition for new projects from neighboring jurisdictions

Project Background

(Continued)

- **Opportunity:**

- State has prioritized installation of key local and regional infrastructure to promote sustainability, energy and resource efficiency, and GHG reduction
- In support of these objectives, State authorized new tools including **Enhanced Infrastructure Financing Districts (“EIFDs”)**, enabling tax increment financing for local / regional infrastructure and real estate projects
- Necessary infrastructure improvements and industrial renovations within and around the project area are eligible EIFD expenditures
- Cities like Grand Terrace can additionally take advantage of the State’s preference to provide grant funds to EIFDs that pursue sustainable infrastructure and resource management

Executive Summary

- Kosmont was retained by the City in October 2016 to evaluate the practical and financial/economic feasibility of an EIFD to support the financing of essential infrastructure improvements in the City, in order for the City to determine whether or not to proceed with EIFD formation
- Key findings:
 - EIFD has the capacity to serve as the financial vehicle to fund key infrastructure and unlock revitalization in the City
 - Most effective with multi-jurisdictional / taxing entity partnerships (e.g. City, County, special districts) and complementary funding sources (e.g. grant funds, CFD, impact fees, reimbursable developer contributions); i.e. Grand Terrace sponsored EIFD will likely be more effective with County participation
- Next steps include outreach to potential public and private sector stakeholders / partners (e.g. land owners / developers, County / other taxing entities)

Analysis Outline

- 1. Review of EIFD Fundamentals (SB 628 / AB 313)**
- 2. Strategic / Boundary Considerations for Grand Terrace**
 - a) Land Ownership / Proposed Future Development
 - b) Infrastructure Needs
 - c) Potential Public and Private Partners
- 3. Funding and Financing**
 - a) Preliminary Tax Increment Analysis
 - b) Complementary Funding Sources / Financing Mechanisms
- 4. Implementation and Next Steps**

1. Review of EIFD Fundamentals (SB 628 / AB 313)

State Policy Direction: *Economic Shift From an Oil-Based Economy*

- Businesses across the state must continue to incorporate GHG emissions reductions strategies into business models in response to legislative mandates such as AB 32, SB 375, SB 350, and most recent [accelerations via SB 32 and AB 197](#), along with federal emissions & environmental legislation.

How California Has Pursued GHG Reductions



Sustainable Infrastructure Investments



Energy-Saving Industrial Processes



Renewable Energy Investments



Cap and Trade Program



Building Efficiency Design and Upgrades



CEQA Analysis Changes from VMT to # of Trips

SB 32: Acceleration of GHG Reduction

CALIFORNIA: WORLD LEADER IN FIGHT AGAINST CLIMATE CHANGE

SB32:



Requires State to reduce greenhouse gas emissions **40%** below 1990 levels by 2030.

Economic Development 2.0 >>> Achieve Sustainable Infrastructure



The analyses, projections, and future results. Project pro forma and tax analyses are projections only. Actual results may differ from those expressed in this analysis.

“Economic Development 2.0” Gives Cities new Financing Tools

- State has approved new “districts” including EIFDs (and CRIAs, others):
 - Enable tax increment financing for local/regional projects (e.g. purchase, construction, expansion, improvement, seismic retrofit, rehabilitation)
 - Compel joint ventures with cities, counties, special districts, and private developers
 - Districts geared to infrastructure, sustainability, energy efficiency
 - Can combine tax increment with other regional and state-authorized financing programs such as GGRF grant funds, PACE, etc.
- District lifespan is 45 years to collect and spend property tax increment
- Any property with estimated useful life of 15+ years & of communitywide significance
- Managed by newly created Public Financing Authority (led by City or County) – board of 5+ members, includes at least 2 public members
- EIFD activities directed by PFA-adopted Infrastructure Financing Plan (IFP)
- No public vote required to create district
- 55% landowner or registered voter election needed for tax increment bonds
- No school district increment allowed
- Does not increase property taxes

Types of Projects EIFDs Can Fund



Industrial Structures



Aff. Housing / Mixed Use



Transit-Priority Projects



Wastewater/Groundwater



Light / High Speed Rail



Civic Infrastructure



Parks & Open Space



Childcare Facilities



Brownfield Remediation

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EIFD – Summary of Key Terms

1. Enhanced Infrastructure Financing District (EIFD)

- Governmental entity established by a city or county that carries out a plan within a defined area to construct, improve and/or rehabilitate infrastructure



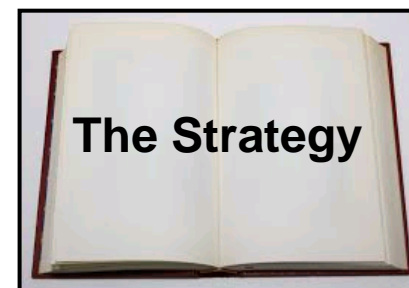
2. Public Financing Authority (PFA)

- Legislative body that governs the EIFD
- Majority comprised of participating government council/boards and at least two members of the public



3. Infrastructure Financing Plan

- Plan adopted by city or county. Describes public facilities & development to be financed by the EIFD
- Implemented by PFA



EIFDs – Diverse Funding Approach

- Can use multiple funding sources with tax increment:
 - **If Bond Issuance then 55% voter approval required*
- Potential to apply State funding sources:
 - Proposition 1 bond funds
 - Cap-and-trade proceeds
- Federal & State Grants
 - Greenhouse Gas Reduction Funds
 - Federal DOT/EPA/DOE funding programs
- Other Funding Sources:
 - Property tax revenue including RPTTF
 - Vehicle license fee (VLF) prop. tax backfill increment
 - Development agreement / impact fees
 - User fees
 - City / county / special district loans
 - Hotel bed tax (TOT)
 - Benefit assessments
 - Contribution from Special District (e.g. CFD)
 - Levied by EIFD
 - Private investment

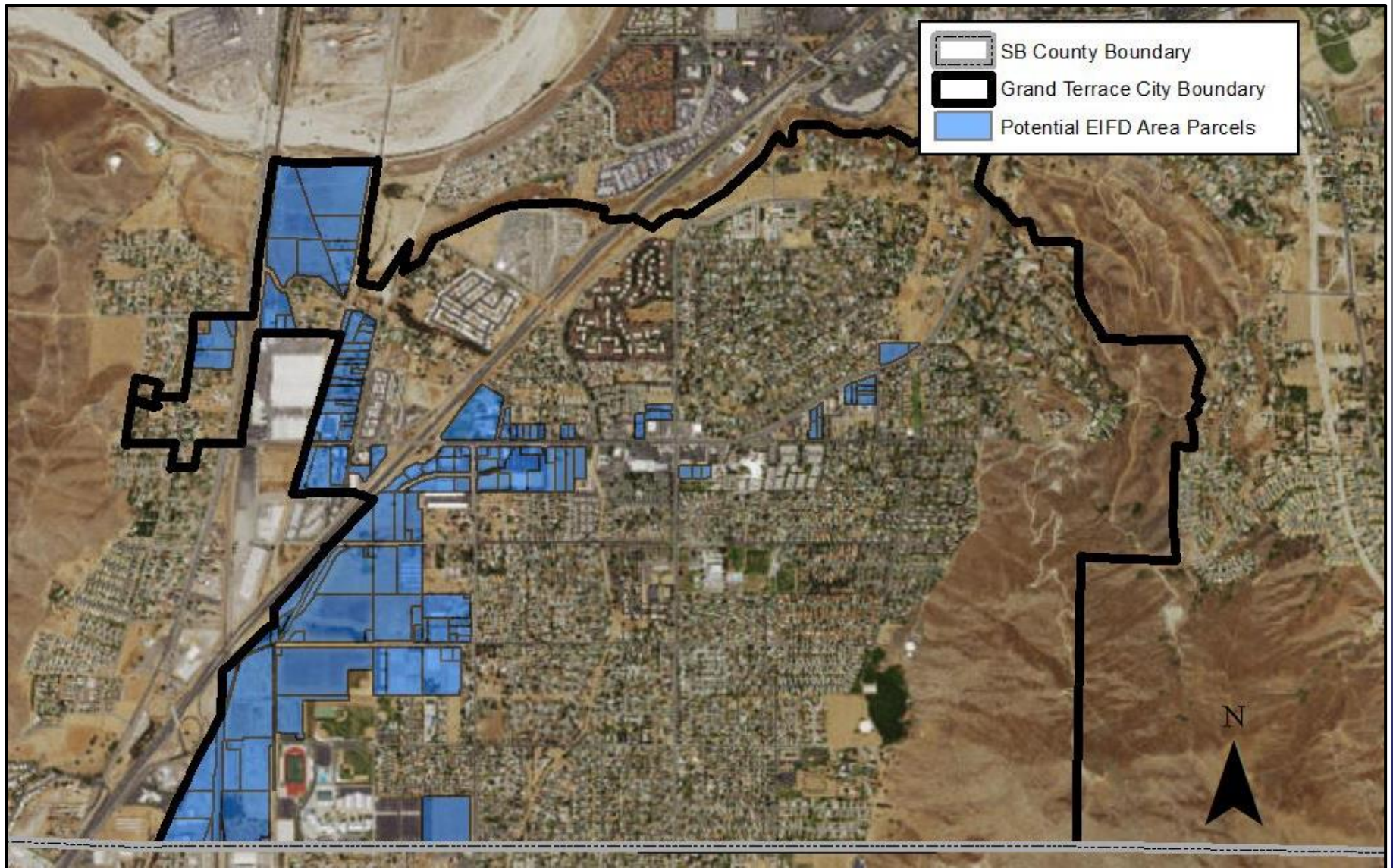


2. Strategic / Boundary Considerations for Grand Terrace

- a) Land Ownership / Proposed Future Development
- b) Infrastructure Needs
- c) Potential Public and Private Partners

Potential EIFD Project Area Map

Approx. 324 Acres



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Key Initial Observations

- Development in and around EIFD project area is key driver for district formation
- Redevelopment of existing infrastructure and installment of new infrastructure essential to serve and incentivize future private development
- Primary goals of District formation:
 - Maximize revenue streams to support needed infrastructure improvements for proposed future development/redevelopment in project area
 - Establish EIFD and assessment baseline as soon as possible to capture maximum increase in assessed value
- Grand Terrace may consider partnering with San Bernardino County to maximize increment pledged to EIFD

Summary of Strategic Considerations

Parcel Details / Potential Projects

- ~324 total acres in prelim EIFD area, 150 parcels, 95 unique land owners
- ~\$54.9 million in existing assessed value
- ~ 665,000 SF of existing buildings
- Lewis project/properties along I-215
- Town Sq. and other projects along Barton Rd.
- Vivienda Ave. residential (east of I-215)
- Other potential future development

Desired Uses

- For sale & rental residential
- Retail / commercial / shops / restaurant
- Mixed-use (residential & retail)
- Professional office
- Commercial manufacturing
- Industrial warehousing / logistics
- Supporting public amenities

Infrastructure Needs

- Roadway / right of way
- Water / sewer / flood control
- Parks / landscaping
- Traffic signalization
- Other
- Approx. \$15.6M in improvements identified (initial list)

Potential Partners

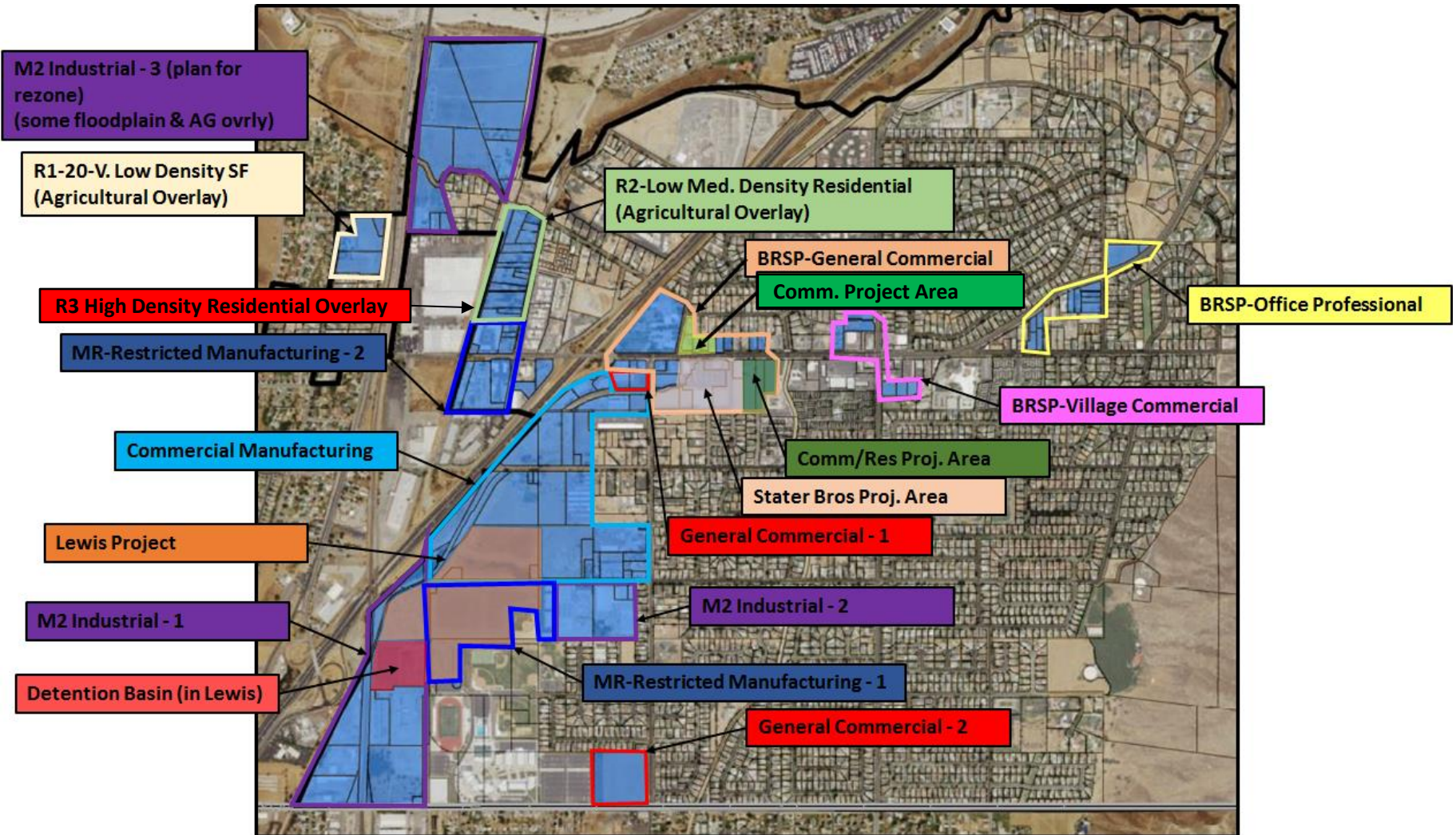
Public Agencies:

- San Bernardino County
- San Bernardino Associated Governments
- County Flood Control / Library / Fire
- SB Valley Municipal Water District

Private Sector:

- Lewis Group
- Other major landowners / developers

Selected Planned / Proposed Project Areas



Initial Infrastructure Cost Estimates

- City and private development firms provided Kosmont with cost infrastructure estimates within proposed EIFD Project Area:

Infrastructure / Improvements	Estimated Cost
New Library / Community Center	\$7,000,000
Right of Way	\$2,582,609
Signalization	\$625,000
Offsite Drainage	\$618,000
Brownfield Remediation (MR – Restricted Manufacturing Area 2)	\$500,000
Trails (M2 – Industrial Area 3)	TBD
Other	\$1,883,499
Contingency	\$2,598,818
Total Identified Infrastructure / Improvements	~\$15.8 million+

3. Financing and Funding

- a) Preliminary Tax Increment Analysis
- b) EIFD formation Considerations
- c) Complimentary Funding Sources / Financing Mechanisms

Grand Terrace EIFD

Property Tax Distribution Detail

- Tax Rate Area (TRA) 16001 covers potential EIFD area
- Grand Terrace captures **~20 cents** for every \$1 in property tax general levy
- San Bernardino County captures **~13 cents**
- Other top non-school taxing entities listed below:

Tax Rate Area (TRA) 16001

Taxing Entity	Distribution from 1% General Tax Levy
City of Grand Terrace	0.19971271
S.B. County General Fund	0.12716695
S.B. County Fire Protection District	0.10335846
S.B. Valley Municipal Water	0.02299892
S.B. County Flood Control	0.02257486
S.B. County Library	0.01231400

Notes:

- Factors represent cents for every dollar of 1% property tax general levy
- Source: San Bernardino County Auditor-Controller / Assessor-Recorder

Former RDA Overlap – Implications

- Significant portion of City (and preliminary EIFD area) overlaps former Redevelopment (RDA) projects areas
- The Grand Terrace former RDA has long-term enforceable obligations (~\$35.2 million of in tax allocation bonds and other obligations) through 2033
- Pursuant to EIFD legislation (SB 628):
 - Any debt or obligation of an EIFD is **subordinate** to any and all existing enforceable obligations of the former redevelopment agency
 - Available revenues to the EIFD shall **not** include any taxes required to be deposited [first] into the Redevelopment Property Tax Trust (RPTTF), but shall include periodic distributions to the City or County from the RPTTF after all pre-existing legal commitments and statutory obligations funded from that revenue are made (i.e. **residual revenues**)

Preliminary Tax Increment Analysis

Development Assumptions

- Kosmont ran a baseline tax increment analysis to determine district revenue potential based on planned / proposed projects and future development potential
- Development & assessed value assumptions:

Grand Terrace EIFD Area Development Assumptions					
Development Type	SF / Units			AV per SF / Unit	AV at Buildout
	First 10 Years	Next 10 Years	Total		
Rental Residential	632 DU	0 DU	632 DU	\$150,000 / DU	\$101,064,640
Single Family Residential (R1)	40 DU	21 DU	61 DU	\$400,000 / DU	\$29,004,381
Medium Density Residential (R2)	40 DU	34 DU	74 DU	\$250,000 / DU	\$22,589,830
Retail / Commercial	325,513 SF	50,163 SF	375,676 SF	\$200 PSF	\$84,996,883
Corner Pad / Restaurant (fast food)	5,284 SF	0 SF	5,284 SF	\$250 PSF	\$1,374,368
Office Professional / General Comm.	79,699 SF	31,502 SF	111,201 SF	\$175 PSF	\$23,140,664
Manufacturing / Industrial	850,000 SF	806,028 SF	1,656,028 SF	\$100 PSF	\$205,083,257
Estimated Total					~\$467 million

Notes: AV at buildout values represent construction/entitled value added to EIFD before the reduction in AV that occurs through the demolition of existing improvements (estimated at ~\$42M)

- Kosmont evaluated two (2) City and County property tax increment contribution scenarios as outlined on following pages

Summary of Net Available Revenues

Scenario 1

- **Scenario 1:**

- City of Grand Terrace contributes **half (~10 cents)** of its total 19.97 cents of property tax increment
- San Bernardino County contributes **half (~6.35)** of its total ~12.7 cents – **County must consent**
- City dedicates **half** of its incremental property tax in lieu of MVLF (~\$605 annually for every \$1 million in new assessed value within the EIFD)

- Property tax increment + incremental property tax in-lieu of MVLF:

	City Base Prop. Tax	County Prop. Tax	City VLF Prop Tax	Total Available
Year 10 Annual Revenue	\$297,217	\$189,016	\$179,939	\$666,171
Year 20 Annual Revenue	\$548,170	\$348,611	\$331,869	\$1,228,651
Year 30 Annual Revenue	\$684,705	\$435,441	\$414,529	\$1,534,675
45-Year PV @ 7%	\$4,799,778	\$3,052,438	\$2,905,846	\$10,758,062

- Compare to initial infrastructure improvement costs identified at ~**\$15.8M**
- Does not include potential additional contributions from County Fire, S.B. Valley Municipal Water, or other taxing entities

Summary of Net Available Revenues

Scenario 2

- **Scenario 2:**

- City of Grand Terrace contributes ~15 cents of its total 19.97 cents of property tax increment
- San Bernardino County contributes half (~6.35) of its total ~12.7 cents – **County must consent**
- City dedicates half of its incremental property tax in lieu of MVLF (~\$605 annually for every \$1 million in new assessed value within the EIFD)

- Property tax increment + incremental property tax in-lieu of MVLF:

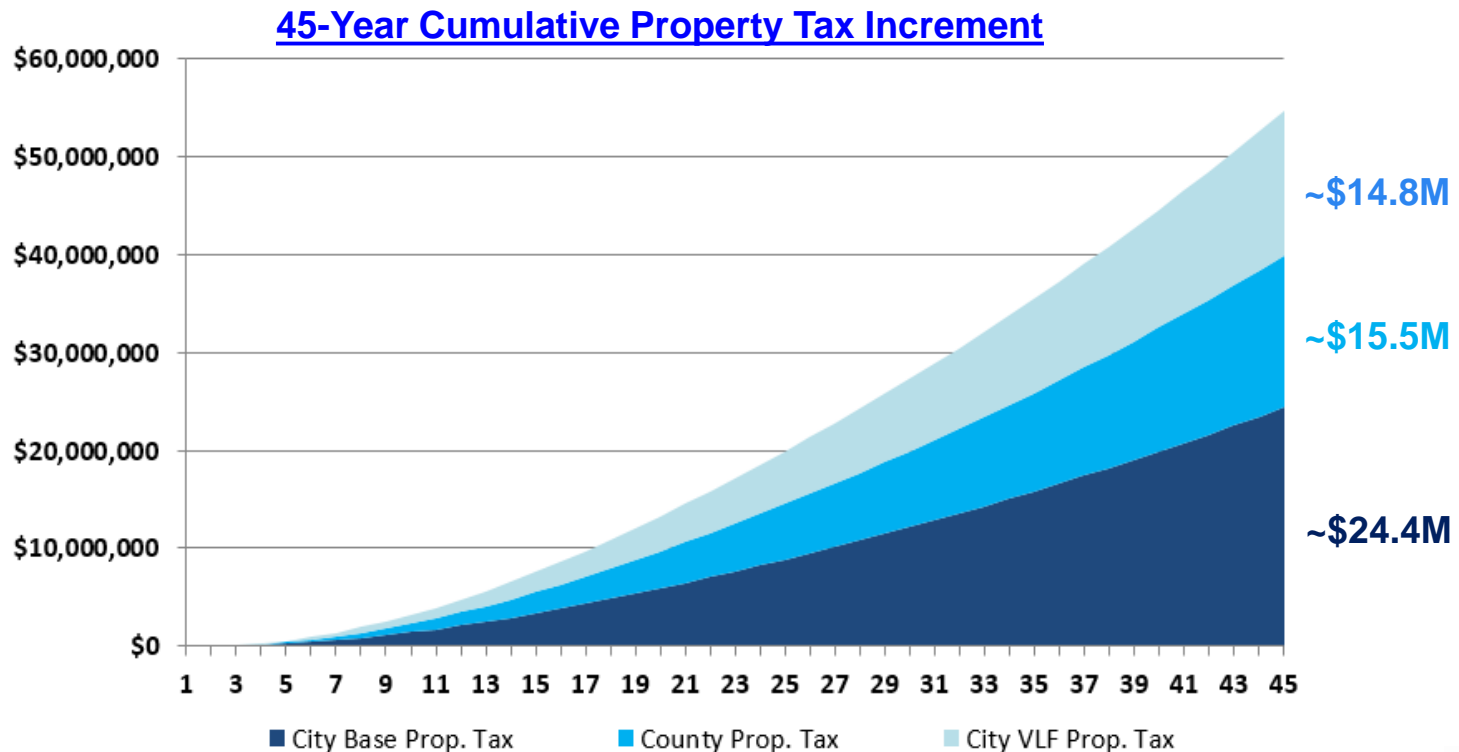
	City Base Prop. Tax	County Prop. Tax	City VLF Prop Tax	Total Available
Year 10 Annual Revenue	\$445,825	\$189,016	\$179,939	\$814,780
Year 20 Annual Revenue	\$822,256	\$348,611	\$331,869	\$1,502,736
Year 30 Annual Revenue	\$1,027,057	\$435,441	\$414,529	\$1,877,027
45-Year PV @ 7%	\$7,199,668	\$3,052,438	\$2,905,846	\$13,157,951

- Compare to initial infrastructure improvement costs identified at ~**\$15.8M**
- Does not include potential additional contributions from County Fire, S.B. Valley Municipal Water, or other taxing entities

Cooperative Districts = Greater Funding Capacity

Scenario 1

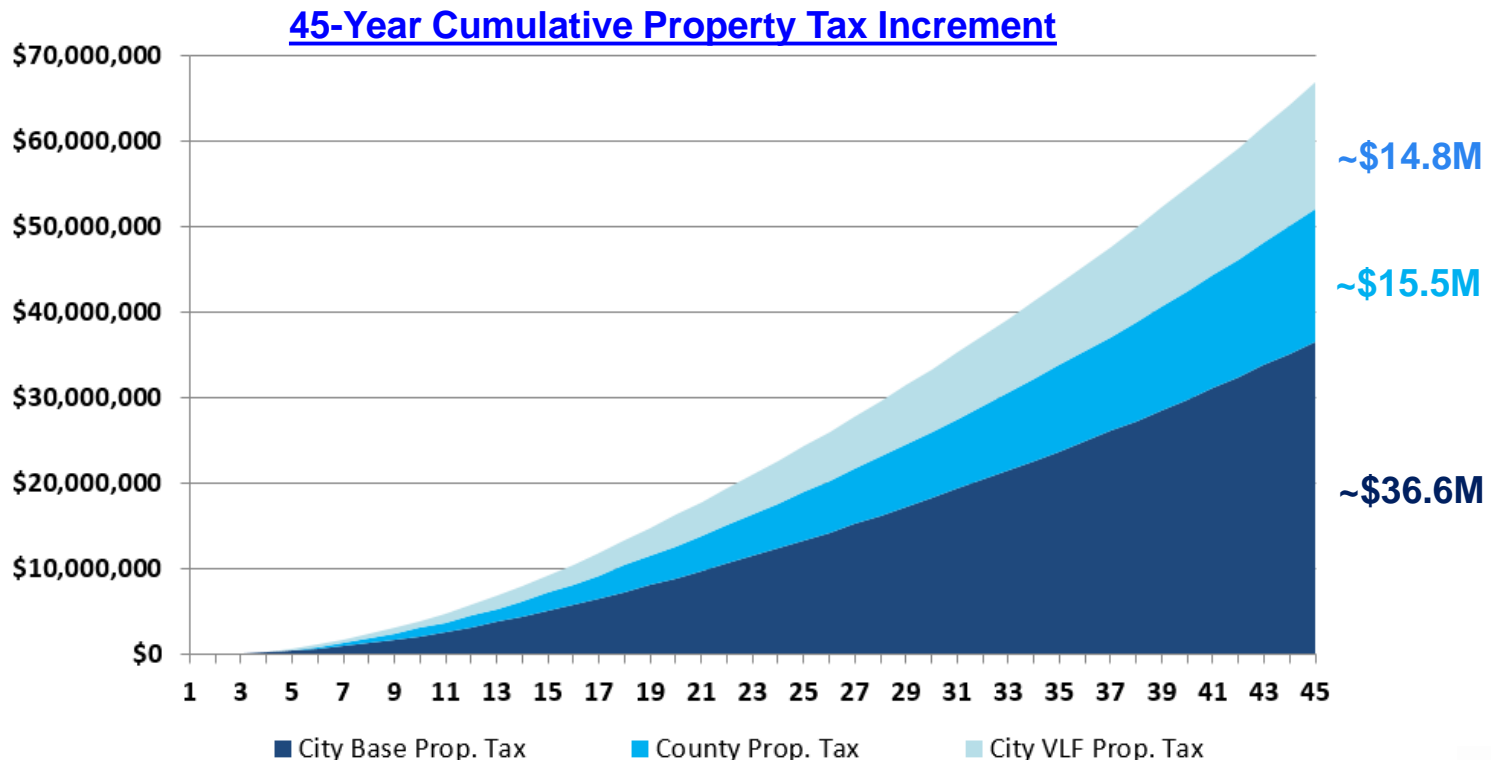
- ~\$467 million development projects (today's dollars) developed over 20 years
- City base property tax contribution of half (~10 cents) of its property tax capture
- County base property tax contribution of half (~6.35 cents) of its property tax
- City additionally dedicates half of its property tax in-lieu of VLF from new development
- In this scenario, the EIFD's cumulative property tax revenues accelerate from approximately **\$24 million** to **\$55 million** over 45 years (nominal 2017 dollars)



Cooperative Districts = Greater Funding Capacity

Scenario 2

- ~\$467 million development projects (today's dollars) developed over 20 years
- City base property tax contribution of ~15 cents of its property tax capture
- County base property tax contribution of half (~6.35 cents) of its property tax
- City additionally dedicates half of its property tax in-lieu of VLF from new development
- In this scenario, the EIFD's cumulative property tax revenues accelerate from approximately **\$37 million** to **\$67 million** over 45 years (nominal 2017 dollars)



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Preliminary PFA Start-up Costs and Cost-Sharing Formula

Start-up Capital – an important component of EIFD formation

- At formation, EIFDs have zero revenues and tax increment is minimal
- Grand Terrace may consider the following primary funding sources to provide initial capital for needed infrastructure in Project Area:
 1. Initial developer loan or pledge repaid through credit and reimbursement agreement
 2. Development impact fee levies
 3. Grant funding (e.g. GGRF grant application for sustainable infrastructure, Proposition 84 funds for flood control improvements)
 4. CFD / other special district fees and/or assessments
 5. City / county / special district loans
 6. PACE Financing (tax lien financing for energy efficiency improvements) as appropriate

4. Implementation and Next Steps

How is an EIFD Formed?

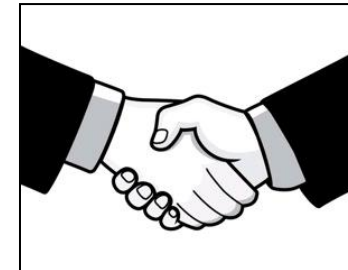
1. Adopt Resolution of Intention



2. Prepare & Adopt Infrastructure Financing Plan (IFP)



3. Enter into tax sharing agreements with other public / taxing entities



4. Approve IFP and form EIFD



5. Public Financing Authority (PFA) implements IFP

Key Considerations for Implementation

- **CEQA** – Legislation says IFP must be distributed with any required CEQA documentation for proposed public facilities and project development
 - IFP should leverage existing Specific Plan and/or General Plan environmental documentation to the extent possible
- **Funding Capacity** – EIFD is most effective with multi-jurisdictional / taxing entity partnerships (e.g. City, County, special districts) and complementary funding sources (e.g. GGRF grant funds, CFD, impact fees, developer contributions)
 - All affected taxing entities have more to gain if private development is induced
 - Cooperative taxing entity efforts can attract private investment (and State grant funds) more efficiently
- **Timing for adoption** – Necessary to coordinate formation efforts with County Auditor-Controller and State Board of Equalization
 - Necessary filings per guidelines from Board for Change of Jurisdictional Boundaries by December 1st of the year immediately preceding division of taxes for EIFD

EIFD Formation Timeline

1. Conduct public outreach with landowners and potential PFA members (e.g. County) **(ASAP)**
2. Final determination of PFA composition, tax increment contributions **(target June 1, 2017)**
3. Final determination of EIFD boundaries (e.g. Valero) **(target June 1)**
4. City/affected taxing agencies adopt resolution(s) of intention to form EIFD and PFA **(target July 1)**
5. PFA drafts IFP **(target completion by Sept. 1)**
6. Draft / update / process necessary CEQA documents **(target completion by Sept. 1)**
7. Distribute IFP to property owners with corresponding CEQA documentation **(by Oct. 1 – target Sept. 1)**
8. City / affected taxing entities contributing increment adopt resolution(s) approving IFP **(by Oct. 1)**
9. PFA conducts a public hearing to approve the IFP and form EIFD (after CEQA challenge period and at least 60 days after IFP is distributed) **(target Oct 1)**
10. Filings with BOE per guidelines from Board for Change of Jurisdictional Boundaries **(by Dec. 1 2017; target Nov. 1 to allow for revision)**

- **IFP takes effect upon adoption of approval resolution (#9 above)**
- **EIFD property tax division begins following fiscal year**

Next Steps

Current phase of work:

1. Present initial findings to City Council for feedback / direction

Potential future phase of work:

2. Outreach to land & building owners in EIFD area interested in early or long-term investment in development / tenant improvement projects, and finalize boundary
3. Outreach to San Bernardino County to determine interest in partnership
4. Refine tax increment / financing analysis based on public/private outreach above
5. Evaluate start-up / complementary funding sources (e.g. GGRF / other grants, CFD, private developer loans/contributions)
6. Initiate EIFD formation process including PFA formation, preparation of Infrastructure Financing Plan, etc.

Thank You / Questions?

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