

MOTION

Tax Increment Financing, referred to as “TIF,” is a set of public financing tools that allocate a portion of future property tax revenue, within an established district boundary, to be used to fund capital and operating costs related to infrastructure developments. TIF works by freezing property tax revenues from the district at a base level (“baseline revenue”) and diverting a portion of additional tax revenue in future years above the baseline revenue (the “increment”) to pay for projects directly or to pay back bonds serviced by the increment. TIF mechanisms only redirect property taxes and do not create any additional tax burden for property owners.

In California, TIF has historically been used by redevelopment agencies to raise funding for infrastructure improvements, land assembly, housing, and other projects in redevelopment areas. Redevelopment agencies in California were required by state law to dissolve as of February 1, 2012.

In 2014, with Senate Bill (SB) 628 the State revamped existing Infrastructure Financing Districts into Enhanced Infrastructure Financing Districts (“EIFDs”). EIFDs are a type of TIF district that cities and counties could form to help fund economic development projects. EIFDs are funded by future property tax revenue increment allocations from both the City and County and can generate revenues.

Several legislative measures have passed that modified SB 628 and EIFD requirements: Assembly Bill 733 (2017) allows for EIFDs to fund climate change adaptation projects, including but not limited to projects that address conditions that impact public health (such as decreased air and water quality, temperatures higher than average, etc.) and extreme weather events (such as sea level rise, heat waves, wildfires, etc.); Senate Bill 1145 (2018) allows EIFDs to also fund infrastructure maintenance costs; and Assembly Bill 116 (2019) allows for EIFDs to issue bonds without public vote however does increase public engagement requirements.

With these modifications, EIFDs are currently able to fund infrastructure maintenance and housing development, economic development, transportation infrastructure, sewage treatment, and climate adaptation projects, among other uses. EIFDs can also finance infrastructure that supports specific industries like tourism and entertainment or development priorities, such as technology hubs, renewable energy projects, or workforce housing initiatives, further promoting targeted economic growth. Additionally, while EIFDs are not required to set aside a specific percentage of affordable housing, all housing that is developed must be affordable.

As a version of TIF, EIFDs do not increase property taxes, as they cannot pull property taxes from school districts. EIFDs are governed by a Public Financing Authority (PFA) made up of 5 members of at least 3 elected officials and 2 local community members who live or work in the district area. The PFA oversees the creation of the District’s Infrastructure Financing Plan (IFP), which outlines the specific projects the District will fund.

In 2018, the Southern California Association of Governments (SCAG) retained consulting firm Kosmont Companies to evaluate several regions for the feasibility of implementation of TIF mechanisms, such as EIFDs, to support housing production and sustainable infrastructure

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investment. The San Pedro community was among the communities to meet SCAG's preliminary screening criteria. On June 5, 2019, the Council approved recommendations from an Economic Development Committee report that produced a report with the necessary steps to initiate and form an EIFD in San Pedro, including a Resolution of Intention for the EIFD's governing PFA (CF 19-0408). On May 9, 2023, the Council authorized EWDD to develop and submit an EIFD participation application package to the County that would identify potential projects and contribution rates.

As San Pedro— and all of our neighborhoods— grow and evolve, so do the housing, infrastructure, and capital improvement needs. Investments in affordable housing, housing-supportive infrastructure, and facilities benefitting the small business community, streets, sidewalks, parks, and other public amenities can have a catalytic effect on economic development in San Pedro. The demands of urban living require constant investment in critical infrastructure. Funding these projects can often be challenging due to competing budget priorities. EIFDs could provide a unique financing mechanism for our local government to meet the infrastructure needs and to further support economic development as a means by which we can use existing tax growth to fund local projects.

One of the unique aspects of EIFDs is their ability to facilitate collaboration between the public and private sectors. City and County governments can partner with private entities to finance and implement infrastructure projects, leveraging their expertise, resources, and innovation to maximize the impact of limited public funds. EIFDs also offer flexibility and customization, allowing local communities to tailor financing plans to their specific needs and priorities. Depending on the State's regulations, they can be established for different durations, ranging from 15 to 45 years. This stability in funding allows communities to plan and implement infrastructure projects more effectively, resulting in improved infrastructure and a better quality of life for residents.

Although there are a handful of approved EIFDs in the State, several jurisdictions across California are actively in the process of forming their own EIFDs. By capturing future property tax revenues, EIFDs create a predictable revenue stream that can be used to finance long-term infrastructure investments and priority projects for the community.

From fixing our sidewalks and gutters to standing up energy-efficient public facilities—reimagining a future Los Angeles composed of unique, livable neighborhoods for all of our residents requires rethinking how we invest in our affordable housing, infrastructure needs, and community revitalization improvements. As the City and County are embarking on exploring EIFDs across the region, the City Council would benefit by making sound decisions based on a guiding policy that keeps the City in compliance with its fiscal policies as well as meets the goals of our future economic growth.

I THEREFORE MOVE that the Chief Legislative Analyst, with the assistance of the City Administrative Officer, Economic Workforce Development Department, and the Office of Finance, report in 45 days with policy recommendations related to budgetary actions and criteria to support the establishment of Enhanced Infrastructure Financing Districts (EIFD), including:

- a. How to best tailor financing plans to a community's specific needs and priorities, using the San Pedro EIFD as a case study.
- b. Identify elements that could be financed through EIFDs, such as affordable housing, infrastructure needs, and community revitalization improvements, and how to determine whether to fund certain improvements outside of the creation of an Infrastructure Financing Plan, and the potential impact regarding the issuance of bonds.
- c. Budgetary considerations that would ensure the City's ability to maintain compliance with the City's Financial Policies by the growth of future EIFDs.

I FURTHER MOVE that the Chief Legislative Analyst, with the assistance of the City Administrative Officer, and Economic Workforce Development Department report in 45 days with the personnel, staff resources, and a plan needed for sustained work efforts on the evaluation, implementation and maintenance of EIFDs.

PRESENTED BY: 

TIM McOSKER

Councilmember, 15TH District

SECONDED BY: 

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