



Placentia Enhanced Infrastructure Financing District Public Financing Authority **AGENDA REPORT**

TO: PUBLIC FINANCING AUTHORITY

VIA: CITY ADMINISTRATOR

FROM: DIRECTOR OF DEVELOPMENT SERVICES

DATE: JANUARY 6, 2021

SUBJECT: PUBLIC HEARING TO CONSIDER ALL WRITTEN AND ORAL PROTESTS ALONG WITH THE RECOMMENDATIONS, IF ANY, OF AFFECTED TAXING ENTITIES, AND TO TERMINATE THE PROCEEDINGS OR ADOPT THE ENHANCED INFRASTRUCTURE FINANCING DISTRICT (EIFD) INFRASTRUCTURE FINANCING PLAN (IFP) SUBJECT TO CONFIRMATION BY THE VOTERS AT AN ELECTION CALLED FOR THAT PURPOSE IF APPROPRIATE

FISCAL

IMPACT: Up to \$12,647,000 in Property Tax Increment Revenue Over Approximately 20 Years

SUMMARY:

The Placentia Enhanced Infrastructure Financing District ("Placentia EIFD") is being formed as a partnership between the City of Placentia and the County of Orange. The Placentia EIFD is being established as a means to fund critical infrastructure of communitywide and regional significance with a focus on the Old Town Placentia Revitalization Plan area, by providing a means to capture property tax increment revenue ("TI") generated by new development within the district. On January 1, 2020, California EIFD legislation was revised to incorporate Assembly Bill 116 ("AB 116"), which modified both the process by which EIFDs are formed and the requirements to achieve approval to issue debt secured by EIFD revenues. The AB 116 process requires three (3) public hearings to be held at least 30 days apart so that the PFA Staff can present the EIFD Infrastructure Financing Plan ("IFP") in a public forum and receive input from landowners and residents within the district. If there is no majority protest, the Public Financing Authority (PFA) may approve both district formation and future debt issuance by the PFA with a majority vote of the PFA board, without a subsequent election.

On August 11, 2020 the City Council approved Resolution No. R-2020-52 which formally announces and set forth the future PFA meeting and public hearing dates in order to comply with the current EIFD statute and achieve authorization to issue EIFD debt. On September 2, 2020, PFA Staff and consultant Kosmont Companies presented the contents of the IFP at a public meeting. On October 14, 2020, the PFA held a public hearing to hear additional written and oral comments but took no action. On November 18, 2020, the PFA held their second public hearing to hear additional written and oral comments but took no action. This third and final Public Hearing

will provide the opportunity for the PFA to conduct a majority protest opportunity (among landowners and residents in the area of the EIFD who are at least 18 years of age), and if there is no majority protest, introduce an ordinance to approve the IFP and formally establish the EIFD. A second reading of the ordinance would occur at a regular meeting of the PFA. The PFA shall terminate the proceedings if there is a majority protest. A majority protest exists if protests have been filed representing over 50 percent of the combined number of landowners and residents in the area who are at least 18 years of age. An election shall be called if between 25 percent and 50 percent of the combined number of landowners and residents in the area who are at least 18 years of age (collectively, the "electorate") file a protest.

RECOMMENDATION:

It is recommended that the Public Financing Authority take the following actions:

1. Open the Public Hearing concerning the Placentia EIFD IFP; and
2. Receive the Staff Report and consider all Public Testimony, including all written and oral comments on the IFP and all written and oral protests; and
3. Close the Public Hearing; and
4. As appropriate, take action to terminate the proceedings (if over 50 percent of the electorate protests), call an election to confirm approval by the electorate (if between 25 percent and 50 percent of the electorate protests), or introduce an ordinance to adopt the IFP and form the Placentia EIFD (if less than 25 percent of the electorate protests).

DISCUSSION:

The Placentia EIFD is being formed as a partnership between the City of Placentia and the County of Orange. District formation is being supported by subject matter expert consultant, Kosmont Companies.

The Placentia EIFD will be a governmental entity, separate and distinct from the City and the County, and is governed by the PFA, which is comprised of two (2) members of the Placentia City Council, one (1) Orange County Supervisor, and two (2) members of the public appointed by the City Council and County Board of Supervisors.

The Placentia EIFD is being established as a means to fund critical infrastructure of communitywide and regional significance with focus on the Old Town Placentia Revitalization Plan area, by providing a means to capture property tax increment revenue ("TI") generated by new development within the district. EIFDs provide an opportunity for agencies to issue bonds for an array of public infrastructure projects as well as supporting economic development efforts. At the time of the prior district formation proceedings, it was assumed that the PFA would seek authorization to issue debt in the future pursuant to the requirements of the EIFD statute that were then in effect, which stipulated a 55% voter approval by the landowners or registered voters, as applicable, within the EIFD boundary.

On January 1, 2020, California EIFD legislation was revised to incorporate Assembly Bill 116 (“AB 116”), which modified both the process by which EIFDs are formed and the requirements to achieve approval to issue debt secured by EIFD revenues. The AB 116 process requires three (3) public hearings to be held at least 30 days apart so that the PFA Staff can present the EIFD Infrastructure Financing Plan (“IFP”) in a public forum and receive input from landowners and residents within the district. Landowners and registered voters have the opportunity to protest the district formation at the last of the three (3) hearings. If there is no majority protest, the PFA may approve both district formation and future debt issuance by the EIFD with a majority vote of the PFA board, without a subsequent vote by the landowners or registered voters within the district.

On August 11, 2020 the City Council approved Resolution No. R-2020-52 which formally announces and set forth the future PFA meeting public hearing dates in order to comply with the current EIFD statute and achieve authorization to issue EIFD debt. The City Council also established October 14, 2020, November 18, 2020 and January 6, 2021, at the hour of 5:00 p.m. or as soon as possible thereafter as the matter may be heard, at the Council Chambers, 401 E. Chapman Avenue, Placentia, California, as the dates, time and place, when and where the PFA will conduct three public hearings on the IFP for Placentia EIFD. On September 2, 2020, PFA Staff and consultant Kosmont Companies presented the contents of the IFP at a public meeting. On October 14, 2020, the PFA held a public hearing to hear additional written and oral comments but took no action. On November 18, 2020, the PFA held their second public hearing to hear additional written and oral comments but took no action.

Infrastructure Financing Plan

The IFP prepared by Kosmont for the Placentia EIFD includes tax increment revenue projection updates, caps to the maximum tax increment revenue and bond authorization for the proposed EIFD contained in the IFP, and district formation and election cost information. The PFA is responsible for preparation and final adoption of an IFP for the Placentia EIFD, and the draft IFP is a proposal that is provided for the PFA to consider.

Preliminary Projected Tax Increment Updates

Kosmont conducted a baseline tax increment analysis to determine district revenue potential based on planned/proposed projects and future development potential. Actual TI revenues are subject to changes in the types and timing of development and the real estate market.

Development Type	Sq. Ft./Units	Assessed Value Factor (2018\$)	Estimated AV (2018\$)
Residential	1,600 units	\$250K per unit	~\$400 million
Commercial/Retail/Office	125,000 sq. ft.	\$250 per sq. ft.	~\$31 million
Hotel	116 rooms	\$250K per room	~\$29 million
TOTAL			~\$460 million

Based on this analysis, the City’s contribution is expected to be approximately 48% of its share of property tax increment (~6.5 out of 13.6 cents on the dollar) within the district boundary for a maximum of \$9,100,000 total over the approximately 20-year district lifetime. The County’s contribution is expected to be approximately 43% of its share (~2.5 out of 5.9 cents) within the district boundary for a maximum of \$3,547,000 total over the approximately 20-year district lifetime.

While the Placentia area would benefit from a new dedicated revenue source for infrastructure improvements, formation of the Placentia EIFD would result in a reallocation of property tax TI revenue from the City's General Fund. Once the Placentia EIFD terminates, TI revenue would no longer be allocated to the Placentia EIFD and will flow back into the City's General Fund.

Financial Implication of Establishing Placentia EIFD

Kosmont concluded several regional financial implications for the establishment of the Placentia EIFD, including providing essential regional transportation infrastructure improvements, improved regional competitiveness for Federal/State grant funds and supports County's Comprehensive Economic Development Strategy (e.g., job creation, quality of life improvement, promotion of environmental sustainability). Locally, based on Kosmont gross economic impact analysis, approximately 3,900+ construction jobs will be created, 1,150+ permanent jobs will be created, \$800+ million in economic output from construction, and \$164+ million in annual ongoing economic output. The resulting overall establishment of the Placentia EIFD will have created an acceleration of development and related fiscal revenues in the amount of approximately \$22 million in net fiscal impact to the City and \$15 million in net fiscal benefit to the County (present value net fiscal benefit over 50 years).

Community Participation and Public Outreach Efforts

There are a number of steps in the Placentia EIFD process that require public outreach and participation. Following this Public Hearing, there are two additional forthcoming Public Hearings to be held by the PFA, each to be announced with mailing and newspaper notices at least 10 days in advance. The draft IFP will remain available for public inspection on the EIFD website at www.placentia.org/EIFD and on file in the office of the City Clerk located at 401 East Chapman Avenue, Placentia, California. Stakeholders will have the opportunity to voice their opinion to the PFA at the Public Hearings. Additionally, the issuance of bonds by the Placentia EIFD will involve public outreach.

FISCAL IMPACT:


As described above, preliminarily, it is projected that approximately \$8 million could be generated in net bond/loan proceeds over the approximately 20-year term of the proposed Placentia EIFD, to help fund core public infrastructure needed to support Placentia's growth. Placentia's contribution is expected to be approximately 48% of its share of property tax increment (~6.5 out of 13.6 cents on the dollar) within the district boundary for a maximum of \$9,100,000 total over the approximately 20-year district lifetime. The County's contribution is expected to be approximately 43% of its share (~2.5 out of 5.9 cents) within the district boundary for a maximum of \$3,547,000 total over the approximately 20-year district lifetime.

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Attachment:

Ordinance No. EIFD PFA-2021-01