



# Placentia City Council

## **AGENDA REPORT**

TO: CITY COUNCIL

VIA: CITY ADMINISTRATOR

FROM: DIRECTOR OF DEVELOPMENT SERVICES

DATE: MAY 21, 2019

SUBJECT: **RESOLUTION TO ESTABLISH THE PLACENTIA ENHANCED INFRASTRUCTURE FINANCING DISTRICT ("EIFD") PUBLIC FINANCING AUTHORITY ("PFA")**

FISCAL  
IMPACT: \$9.1 Million in Property Tax Increment Revenue Over Approximately 20 Years

### **SUMMARY:**

In response to the elimination of redevelopment agencies, California Senate Bill 628, effective January 1, 2015, and California Assembly Bill 313, effective January 1, 2016, authorized public agencies to form Enhanced Infrastructure Financing Districts ("EIFDs"), which are public financing instruments designed to succeed former Redevelopment Agency financing mechanisms and provide more flexibility than Infrastructure Financing Districts ("IFDs"). An EIFD is a governmental entity, separate and distinct from the city or county that establishes it and is governed by a Public Financing Authority ("PFA").

EIFDs can aid local government entities in funding public capital facilities, or other specified projects of communitywide significance, primarily by capturing tax increment revenue ("TI") generated 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 in specific areas. Those areas of particular interest to Placentia are in the newly established Old Town Placentia Revitalization Plan area.

On February 19, 2019 the City Council approved Resolution No. R-2019-05, a Resolution of Intention ("ROI") proposing the establishment of the Placentia Enhanced Infrastructure Financing District ("Placentia EIFD") with the County of Orange and the initiation of proceedings to form an EIFD within City boundaries. Subsequently, on April 23, 2019 the County Board of Supervisors approved their resolution to participate in the Placentia EIFD and PFA.

This action and in accordance with EIFD law, is to adopt a resolution establishing the membership of the Placentia EIFD PFA.

**1. d.**  
**May 21, 2019**

**RECOMMENDATION:**

It is recommended that the City Council take the following actions:

1. Adopt Resolution No. R-2019-XX, A Resolution of the City Council of the City of Placentia, California establishing the membership of the Placentia Enhanced Infrastructure Financing District Public Financing Authority; and
2. Approve the members of the Placentia Enhanced Infrastructure Financing District Public Financing Authority as more fully described in Attachment 2; and
3. Authorize the City Administrator, or his designee, to execute all documents necessary, in a form approved by the City Attorney.

**DISCUSSION:**

In response to the elimination of redevelopment agencies, California Senate Bill 628, effective January 1, 2015, and California Assembly Bill 313, effective January 1, 2016, authorized the formation of EIFDs, which are public financing instruments designed to succeed the former Redevelopment Agency financing mechanism and provide more flexibility than IFDs. An EIFD is a governmental entity, separate and distinct from the city or county that establishes it and is governed by a PFA that is comprised of one or more members from the participating EIFD parties.

EIFDs can aid local government entities in funding public capital facilities, or other specified projects of communitywide significance, primarily by capturing TI generated within the district. The primary source of revenue available to an EIFD, like a Redevelopment project area, is TI. Essentially, the added improvements gained through EIFD funding would conceptually support future development and result in increased property values, which would generate increased property tax revenues from the base year (established from the most recent equalized tax roll prior to district formation). The increased revenue can then be leveraged for additional improvements through the issuance of bonds and/or applied to fund improvements on a "pay-as-you-go" basis from the date of formation.

Unlike Redevelopment, other affected taxing entities are not required to forgo their TI for the district; participation is voluntary. Each tax sharing entity that chooses to join an EIFD has the option to allocate up to 100% of its portion of TI to the district. Under the EIFD law, school districts are precluded from participation.

EIFDs provide an opportunity for agencies to issue bonds for an array of public infrastructure projects as well as supporting economic development efforts in specific areas. The area of particular interest to Placentia is the infrastructure needed in and around the newly established Old Town Placentia Revitalization Plan. This area will require a significant investment of infrastructure in order to attract developers to the area while improving the City's housing stock and retail opportunities for the public.

### Southern California Association of Governments

Considering areas that an EIFD may serve, City Staff worked with the Southern California Association of Governments ("SCAG") to secure a grant under SCAG's Regional Transportation Pilot Program ("Pilot Program"). The Pilot Program Grant allowed the City to retain the services of Kosmont Companies ("Kosmont") to evaluate the implementation of an EIFD for the Old Town Revitalization Plan area based upon:

- High potential for development/redevelopment within 5 years
- Support mixed-use/transit-oriented development
- Catalytic transportation and related infrastructure projects for future development
- Infrastructure that provides communitywide and regional benefit
- Potential funding capacity from property tax increment and complementary sources

A feasibility study was conducted to evaluate whether an EIFD could be used to facilitate development adjacent to the future Metrolink station and complete the public improvements to help fulfill critical elements of the City's Old Town Placentia Revitalization Plan adopted by the City Council in 2017.

To that end, during the twelve (12)-month evaluation process, numerous steps have been taken to assess the benefits of this approach. These have included working with SCAG and Kosmont to evaluate different options for funding necessary improvements, identifying projects to be funded through the EIFD, determining the land areas in and around the Old Town Revitalization Plan and Transit Oriented Packing House District Plan areas that would contribute the necessary TI to facilitate the EIFD, and meeting with County of Orange Officials to discuss the proposed EIFD and their partnership.

On April 23, 2019 County Staff presented to the Board of Supervisors their recommendation to participate in the Placentia EIFD, a partnership between the City and the County, which would be the first of its kind in the State. The County Board of Supervisors approved Resolution No. 19-032 indicating their intention to participate in the Placentia EIFD.

### **Public Financing Authority and Appointments Process**

Under EIFD law, the PFA is the governing board of the Placentia EIFD. With the County's participation in the Placentia EIFD, the PFA's membership is comprised of the two members of the City Council, a member of the County Board of Supervisors and two public members. Members shall serve at the pleasure of their respective appointing legislative bodies and shall serve until their successor assumes office.

The members are subject to compliance with the EIFD Law and Government Code Section 54974. Attachment 1 lists the recommended PFA members.

### **Placentia EIFD Area**

The Placentia EIFD tax increment area is a developing area of the City within the Old Town Placentia area, the TOD Packing House District, and parcels south of the TOD Packing House District and adjacent to the 57 freeway. Land use designations in the Placentia EIFD Map include residential, commercial, industrial, open space and parks. The area contains over 300 parcels, which is approximately 7.1% of the City's total 4,243 acres. The existing assessed value is

approximately \$365 million, which is approximately 5.9% of the City's total of approximately \$6.1 billion. Within this area, approximately \$460 million in new development value projected. In summary, the newly established Old Town Revitalization Plan, the TOD Packing House District, the prime industrial lands, and the planned hospitality areas make this area the City's prime location for establishing an EIFD. Collectively the TI partnership with the County in this EIFD area will generate approximately \$8 million in net available funds (after estimated costs of debt issuance and interest costs) to dedicate toward the Old Town Revitalization Plan area. More specifically, the proceeds will completely fund the infrastructure outlined within the Old Town Streetscape Master Plan previously adopted by the City Council in 2017.

**Infrastructure Financing Plan**

Once completed, the Infrastructure Financing Plan ("IFP") prepared by Kosmont for the Placentia EIFD will include 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 ultimately responsible for preparation and final adoption of an IFP for the Placentia EIFD, and the draft IFP is a proposal that will be provided for the PFA to consider. At a later date, and prior to final approval of an IFP for the Placentia EIFD by the PFA, the City Council and County Board of Supervisors will have an opportunity to review and approve the IFP, as an affected taxing entity of the Placentia EIFD. Future City Council and County Board of Supervisors approval of the IFP is required under the EIFD law for allocation of City and County property tax revenues to the Placentia EIFD.

**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
<b>TOTAL</b>			<b>~\$460 million</b>

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.

### **Preliminary Bonded Indebtedness**

Kosmont Transaction Services provided a preliminary bonded indebtedness analysis with County's participation and estimated EIFD revenues. The preliminary \$8 million infrastructure loan is amortized over the course of 20 years. A total of approximately \$11.7 million (principle and interest) repaid over 20 years will include an annual payment of \$560,000 - \$600,000 for the initial \$8 million infrastructure loan.

### **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 formation process that require public outreach and participation. Under the EIFD law, City Council must direct the City Clerk to mail a copy of the ROI to each landowner within the Placentia EIFD, each affected taxing entity, and the PFA. The requested actions include this step, which will constitute the first public outreach. Subsequent mailings will include the draft IFP and related CEQA documentation and Notice of Public Hearing. Stakeholders will have the opportunity to voice their opinion to the PFA at the Public Hearing. Additionally, the issuance of bonds by the Placentia EIFD in the future 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.

While the Placentia area would benefit from the infrastructure improvements, the formation of the EIFD would result in a reallocation of TI (i.e., the City's share of taxes levied on property within the district boundaries on that portion of the taxable valuation over and above the taxable valuation of the base year property tax roll) from the General Fund to pay for the Placentia infrastructure improvements. While this contribution will be dedicated, it should be noted that the City is only proposing an approximately 20-year EIFD, even though under state law, up to 45 years of TI contribution is authorized. This is purposeful and is designed to demonstrate a conservative

partnership and contribution from both agencies for a very specific purpose: Old Town Streetscape Master Plan Infrastructure, which will reap a significant return on investment for each agency.

The aforementioned TI projections are based upon various assumptions made utilizing the future growth potential of the residential, commercial, and industrial development sectors in the area. Once the EIFD has terminated, the property tax increment revenue allocated to the EIFD will flow back into the City's General Fund. The property tax generated up to the taxable valuation of the base year tax roll will continue to flow to the City's General Fund.

Prepared by:



Jeannette Ortega  
Assistant to the City Administrator/  
Economic Development Manager

Reviewed and approved:



Joseph M. Lambert  
Director of Development Services

Reviewed and approved:



Kim Krause  
Director of Finance

Reviewed and approved:



Damien R. Arrula  
City Administrator

Attachments:

1. Resolution No. R-2019-XX – Establishing the Placentia EIFD PFA
2. Members of the Placentia Enhanced Infrastructure Financing District Public Financing Authority

## RESOLUTION NO. R-2019-23

### A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PLACENTIA, CALIFORNIA ESTABLISHING THE PLACENTIA ENHANCED INFRASTRUCTURE FINANCING DISTRICT PUBLIC FINANCING AUTHORITY

#### A. Recitals

(i). The California Legislature enacted California Government Code (Code) sections 53398.50 through 53398.88 (EIFD Law) authorizing cities to form enhanced infrastructure financing districts and use specified property tax increment revenue generated within such districts to finance certain infrastructure and community benefit projects; and

(ii). In enacting the EIFD Law, the California Legislature found and determined that with the dissolution of redevelopment agencies, public benefits will accrue, if local agencies finance certain public infrastructure and community benefit projects authorized under the EIFD Law; and

(iii). The City Council has determined that it will be beneficial to the City of Placentia (City) to form the Placentia Enhanced Infrastructure Financing District (Placentia EIFD); and

(iv). By Resolution No. R-2019-05 the City Council has (1) stated its intention that the Placentia EIFD is proposed to be established under the EIFD Law; (2) identified the boundaries of the proposed Placentia EIFD; (3) identified the types of public facilities and development proposed to be financed or assisted by the proposed Placentia EIFD; (4) described the need for the proposed Placentia EIFD and the goals the Placentia EIFD proposes to achieve; (5) confirmed that incremental property tax revenue from the City and some, all or none of the affected taxing entities within the proposed Placentia EIFD may be used to finance these activities; and (6) set a time and place for a public hearing on the proposed Placentia EIFD; and

(v). By Resolution No. 19-032 the County of Orange Board of Supervisors has stated its intention to participate in the Placentia EIFD and Public Financing Authority.

(vi). Pursuant to the EIFD Law, the City Council is required to establish a Public Financing Authority to act as the governing board of the proposed Placentia EIFD at the same time that the City Council adopts a resolution stating its intention to form the proposed Placentia EIFD.

(vii). All legal prerequisites to the adoption of this Resolution have occurred.

#### B. Resolution

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF PLACENTIA DOES HEREBY FIND, DETERMINE AND RESOLVE AS FOLLOWS:

1. The facts set forth in the Recitals, Part A of this Resolution, are true and correct.

2. Establishment of Public Financing Authority. Pursuant to the EIFD Law, the City Council establishes the Placentia Enhanced Infrastructure Financing District Public Financing Authority (Authority), as the governing board of the proposed Placentia EIFD.

3. Public Financing Authority Membership. The Authority shall have a membership consisting of two members of the Council, one member of the County Board of Supervisors and two members of the public chosen by the Council.

a. The two Council members of the Authority shall serve according to the following provision:

i. City Council appointments to the Authority shall occur during the annual Council appointments to various commission, committees typically held in the month of December.

b. The two public members of the Authority shall serve according to the following provisions:

i. Eligibility: Public members of the Authority shall be at least one of the following: (1) an owner of real property within the Placentia EIFD; (2) a resident of the Placentia EIFD; or (3) an owner or operator of any business, private or non-profit, that owns or leases real property in Placentia.

ii. Term: Public members of the Authority will serve a term of four years with the Authority.

4. Public Financing Authority Organization. The Authority is authorized and directed to adopt such bylaws, rules, regulations, and procedures as the Authority deems necessary or desirable for performance of its functions, all in accordance with applicable law.

5. Clerk of Authority. If requested by the Authority, the City Clerk or designee is authorized and directed to serve as either or both the clerk of the Authority and the elections official for the Authority for any and all bond issuance elections held by the Authority pursuant to the EIFD Law. If the Authority requests that the City Clerk serve as the elections official for the Authority, the City's election laws shall govern all elections called by the Authority, in accordance with Code section 53398.70, except as otherwise required by applicable law. The Authority may only direct the City Clerk to perform the official duties assigned to the clerk of the Authority under the EIFD Law and election functions under the EIFD Law and the Placentia Municipal Code.

6. Further Action. The Mayor or designee is authorized and directed to take such further action as is necessary or desirable to carry out the purposes and intent of this

Resolution consistent with the EIFD Law and other applicable law. If and as requested by the Authority, the Mayor or designee is authorized and directed to perform such services for the Authority as may be necessary or desirable for the conduct of Authority business consistent with or required by the EIFD Law and other applicable law.

**APPROVED and ADOPTED this 21<sup>st</sup> day of May 2019.**

\_\_\_\_\_  
Rhonda Shader, Mayor

ATTEST:

\_\_\_\_\_  
Robert S. McKinnell, City Clerk

STATE OF CALIFORNIA  
COUNTY OF ORANGE

I, Robert S. McKinnell, City Clerk of the City of Placentia do hereby certify that the foregoing Resolution was adopted at a regular meeting of the City Council held on the 21<sup>st</sup> day of May 2019 by the following vote:

AYES:	Councilmembers:
NOES:	Councilmembers:
ABSENT:	Councilmembers:
ABSTAIN:	Councilmembers:

\_\_\_\_\_  
Robert S. McKinnell, City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Christian L. Bettenhausen, City Attorney

**Placentia Enhanced Infrastructure Financing District (Placentia EIFD)  
Members of the Public Financing Authority**

May 21, 2019

**Senate Bill No. 628 Enhanced infrastructure financing districts**

**SECTION 1. CHAPTER 2.99. Enhanced Infrastructure Financing District**

**Article 1. General Provisions**

**53398.51.1.**

(a) The public financing authority shall have a membership consisting of one of the following, as appropriate:

(1) If a district has only one participating affected taxing entity, the public financing authority's membership shall consist of three members of the legislative body of the participating entity, and two members of the public chosen by the legislative body. The appointment of the public members shall be subject to the provisions of Section 54974.

(2) If a district has two or more participating affected taxing entities, the public financing authority's membership shall consist of a majority of members from the legislative bodies of the participating entities, and a minimum of two members of the public chosen by the legislative bodies of the participating entities. The appointment of the public members shall be subject to the provisions of Section 54974.

(b) The legislative body shall ensure the public financing authority is established prior to adopting a resolution pursuant to Section 53398.69 to adopt an infrastructure financing plan and to form a district.

(c) Members of the public financing authority established pursuant to this chapter shall not receive compensation but may receive reimbursement for actual and necessary expenses incurred in the performance of official duties pursuant to Article 2.3 (commencing with Section 53232) of Chapter 2.

(d) Members of the public financing authority are subject to Article 2.4 (commencing with Section 53234) of Chapter 2.

(e) The public financing authority created pursuant to this chapter shall be a local public agency subject to the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950)), the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1), and the Political Reform Act of 1974 (Title 9 (commencing with Section 81000)).

**Placentia EIFD Members**

- Mayor Pro Tem Ward Smith
- Council Member Chad Wanke
- County Board of Supervisor Doug Chaffee
- Public Member: Rosalina Davis (4 Year Term)
- Public Member: Joe Rasic (4 Year Term)