



# Placentia City Council

## AGENDA REPORT

TO: CITY COUNCIL

VIA: CITY ADMINISTRATOR

FROM: DIRECTOR OF DEVELOPMENT SERVICES

DATE: FEBRUARY 19, 2019

SUBJECT: **RESOLUTION OF INTENT TO ESTABLISH AN ENHANCED INFRASTRUCTURE FINANCING DISTRICT (EIFD)**

FISCAL  
IMPACT: \$8.2 Million in Property Tax Increment Revenue Over 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 the ability 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. This action and in accordance with EIFD law, is to adopt a Resolution of Intention (ROI) proposing the establishment of the Placentia Enhanced Infrastructure Financing District (Placentia EIFD) with the County of Orange and to initiate proceedings to form an EIFD within City boundaries.

### **RECOMMENDATION:**

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

1. Adopt Resolution No. R-2019-XX, A resolution of intent of the City Council of the City of Placentia, California proposing to establish Placentia Enhanced Infrastructure Financing District to finance the construction and/or acquisition of capital improvements, establishing a Public Financing Authority, and authorizing certain other actions related thereto; and

**3. e.**  
**February 19, 2019**

2. 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.

After various meetings with County Executive Staff, and upon conducting their due diligence in review of the proposed EIFD, they have indicated that they support the establishment of a joint City/County EIFD. Moreover, they have indicated that they will be presenting a formal EIFD policy to the Board of Supervisors, that if implemented, would be utilized Countywide for other cities to consider partnering with the County on an establishment of an EIFD. Subsequent to County adoption of the Policy, County staff will present 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.

#### **Proposed Placentia EIFD Area**

The Proposed 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, as more fully described in Attachment 1. Land use designations in the Placentia EIFD Map include residential, commercial, industrial, open space and parks. The proposed 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, it is projected to have approximately \$460 million in new development value. 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 proposed EIFD area will generate approximately \$8.2 million in available funds 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.

#### **Initial Steps to Form EIFD**

In consultation with the City Attorney's office, acting as EIFD formation counsel, and based upon state law (Government Code commencing with Section 53398.50 *et seq.*) the initial proceedings to form the Placentia EIFD include City Council approval of a resolution: (1) stating the City Council's intention to form the EIFD (the Resolution of Intention, or ROI); (2) creating the PFA; and (3) establishing the criteria for the PFA's public members. These initial steps, including the ROI, provide the framework for forming the district and constitute the start of the public notification process.

### **Resolution of Intention**

The Resolution of Intention (ROI) proposing the establishment of the Placentia EIFD describes the following:

- **The boundaries of the proposed Placentia EIFD** - The Placentia EIFD boundaries include the entire Old Town Placentia and TOD Packing House District. A map showing the boundaries is included as Attachment 1.
- **The types of public facilities and development proposed to be financed by the Placentia EIFD** - The ROI states that the Placentia EIFD is intended to fund transit-supportive infrastructure, including improvements to bicycle and pedestrian connectivity, sidewalks, landscaping, signage, lighting, beautification, public safety access, parking, roadway, circulation, open space, water, sewer and other utility capacity improvements.
- **The need for the Placentia EIFD and the goals to be achieved** - The Placentia EIFD is necessary to promote economic development and support the provision of needed public infrastructure. Public infrastructure needs contain an estimated \$8 - 9 million funding gap, and the Placentia EIFD can make a meaningful contribution to addressing the gap, thereby assisting with implementation of approved plans.
- **The tax increment revenue from the City that may be used to finance the Placentia EIFD** - All City property tax increment revenue generated within the Placentia EIFD boundary, above the base year may be allocated to the Placentia EIFD (approximately 46% of future property tax increment is proposed to be dedicated to the EIFD over a 20-year period).
- **The time and place for a public hearing on the proposed Placentia EIFD to be conducted by the Public Financing Authority** – The public hearing is scheduled on June 18, 2019 in the City Council Chambers.

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

Under EIFD law, the PFA is the governing board of the Placentia EIFD. Though the County has expressed interest in partnering with the City as a contributing taxing entity, they have not yet taken all of the formal steps required by law to finalize that decision. Therefore, initially and pursuant to EIFD law, the PFA's membership would be comprised initially of the Mayor, two members of the City Council appointed by the City Council, and two public members selected by the City Council. Members shall serve at the pleasure of the City Council and shall serve until their successor assumes office.

The ROI also provides for a slightly different composition of the PFA governing board, should the County take formal action to participate in the Placentia EIFD. In that case the PFA's membership would be comprised of the Mayor, one member of the City Council appointed by the City Council, a member of the County Board of Supervisors, a public member selected by the City Council, and a member of the public selected by the Orange County Board of Supervisors. 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.

**Infrastructure Financing Plan**

Once completed, the Infrastructure Financing Plan (IFP) prepared by Kosmont Companies (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 Supervisor 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         | SF/Units    | AV Factor (2018\$) | Estimated AV (2018\$) |
|--------------------------|-------------|--------------------|-----------------------|
| Residential              | 1,600 units | \$250K per unit    | ~\$400 million        |
| Commercial/Retail/Office | 125,000 SF  | \$250 PSF          | ~\$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 ~46% of its share of property tax increment (~6.3 out of 13.6 cents on the dollar) within the district or \$8.2 million total over 20 years. The County's contribution is ~46% of its share (~2.7 out of 5.9 cents) within the district or \$3.5 million total over 20 years.

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 \$8.2 million infrastructure loan is over the course of 20 years. A total of \$11.7 million (principle and interest) repaid over 20 years will include an annual payment of \$560,000 - \$600,000 for the initial \$8.2 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, promote 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.

**EIFD Key Steps and Targeted Timeline**

The following provides a timeline of the key steps involved in forming the proposed Placentia EIFD:

| Description  | Agency      | Date  |
|--|-------------|---|
| City Council adoption of resolution of intent to form EIFD, creating Public Financing Authority (PFA)  | City        | February 19, 2019   |
| County Board resolution of intent to cooperate with City, providing summary of currently proposed terms of participation (voluntary action; not a mandatory resolution per EIFD legislation) | County      | March, 2019   |
| PFA drafts Infrastructure Financing Plan (IFP)   | City        | March – April, 2019   |
| Distribute draft IFP to property owners and affected taxing entities (with existing CEQA documentation, e.g. general plan and specific plan EIR / MND / etc.)                                | City        | By April 30, 2019<br>(at least 60 days in advance of PFA public hearing to approve IFP) |
| Four (4) weeks (at least once per week) of public noticing for PFA public hearing in newspaper of general circulation  | City        | June 18, 2019   |
| City Council and County Board independently adopt resolution(s) approving draft IFP  | City/County | By July 1, 2019   |
| PFA conducts public hearing to approve IFP and form EIFD   | City        | July, 2019 (target before August for FY 18-19 Base Year)                                |
| Filings with Board of Equalization (BOE) per guidelines from Board for Change of Jurisdictional Boundaries   | City        | By December 1, 2019   |

**FISCAL IMPACT:**

As described above, preliminarily, it is projected that \$8.2 million could be generated through bond proceeds over the 20-year term of the proposed Placentia EIFD, to help fund core public infrastructure needed to support Placentia's growth. The City's contribution is ~46% of its share of property tax increment (~6.3 out of 13.6 cents on the dollar) within the district or \$8.2 million total over 20 years. The County's contribution is ~46% of its share (~2.7 out of 5.9 cents) within the district or \$3.5 million total over 20 years.

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 a 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  
Finance Director

Reviewed and approved:

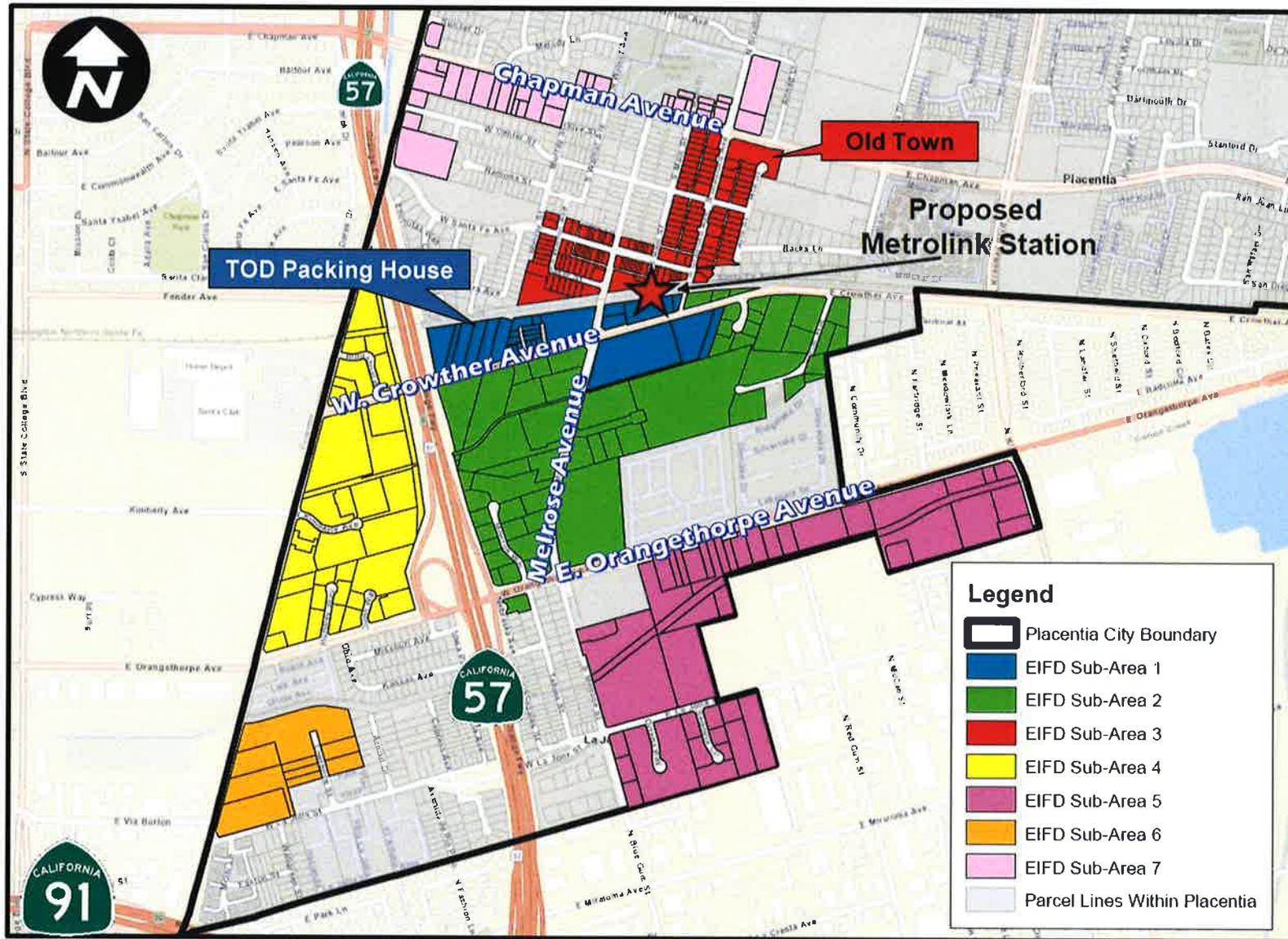


Damien R. Arrula  
City Administrator

**Attachments:**

1. Proposed Boundaries of the Placentia EIFD
2. Resolution No. R-2019-XX

# Proposed Boundaries of the Placentia EIFD (300+ Acres)



Source: City of Placentia, ArcGIS (2018)

ATTACHMENT 1



## RESOLUTION NO. R-2019-05

### A RESOLUTION OF INTENT OF THE CITY COUNCIL OF THE CITY OF PLACENTIA, CALIFORNIA PROPOSING TO ESTABLISH PLACENTIA ENHANCED INFRASTRUCTURE FINANCING DISTRICT TO FINANCE THE CONSTRUCTION AND/OR ACQUISITION OF CAPITAL IMPROVEMENTS, ESTABLISHING A PUBLIC FINANCING AUTHORITY, AND AUTHORIZING CERTAIN OTHER ACTIONS RELATED THERETO

#### A. Recitals

(i). Pursuant to Chapter 2.99 of Part 1 of Division 2 of Title 5 of the California Government Code (commencing with Section 53398.50) (the "EIFD Law"), the City Council of the City of Placentia ("Council") is authorized to initiate the process to establish an Enhanced Infrastructure Financing District ("EIFD"); and

(ii). In accordance with Section 53398.54, the City has complied with the prerequisites prior to initiating the creation of or participating in the governance of the EIFD and will provide the required certification to the Department of Finance in accordance with EIFD Law; and

(iii). The Council proposes the establishment of an EIFD to finance certain public facilities; and

(iv). The proposed boundaries of the EIFD are identified on a map entitled "Proposed Boundaries of Placentia EIFD" a copy which is on file in the office of the City Clerk, and

(v). The EIFD will be formed by a Public Finance Authority ("PFA") which will be the governing board of the EIFD and will be responsible for implementing the Infrastructure Financing Plan ("IFP").

#### B. Resolution

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

**Section 1. Recitals.** The above recitals are true and correct.

**Section 2. Intention and Proposal to Establish Enhanced Infrastructure Financing District.** The Council proposes and intends to cause the establishment of an EIFD under the provisions of EIFD Law.

**Section 3. Name of Enhanced Infrastructure Financing District.** The name proposed for the EIFD is "Placentia Enhanced Infrastructure Financing District".

**Section 4. Description of Boundaries.** The proposed boundaries of the EIFD are as shown on the map of the EIFD on file in the office of the City Clerk, which boundaries are hereby preliminarily approved and to which map reference is hereby made for further particulars.

**Section 5. Description of Facilities.** The types of public facilities proposed to be financed by the EIFD and pursuant to the EIFD Law are transit-supportive infrastructure, including improvements to bicycle and pedestrian connectivity, sidewalks, landscaping, signage, lighting, beautification, public safety access, parking, roadway, circulation, open space, water, sewer and other utility capacity improvements, including those listed as facilities on Exhibit A, attached hereto and incorporated herein (the "Facilities").

**Section 6. Necessity of EIFD and Goal.** The Council hereby finds that the EIFD is necessary for the area within the boundaries of the EIFD and the City. The Council's goal for the EIFD is to create the means by which to assist in the provision of public facilities of communitywide significance that provide significant benefits and promote economic development within the boundaries of the EIFD or the surrounding community and, for those facilities located outside the EIFD boundaries, also have a tangible connection to the EIFD.

**Section 7. Use of Incremental Tax Revenues.** The Council hereby declares that, pursuant to the EIFD Law and if approved by resolution pursuant to Government Code Section 53398.68, incremental property tax revenue from the City of Placentia and County of Orange may finance the Facilities. The incremental property tax financing will be described in an IFP to be prepared for the PFA and the Council under the EIFD Law.

**Section 8. Establishment of Public Financing Authority.**

- A. The Council hereby establishes a Public Financing Authority to serve as the governing board of the EIFD. The PFA membership shall be comprised initially of the Mayor, two members of the City Council appointed by the City Council, and two public members selected by the City Council. Members shall serve at the pleasure of the City Council and shall serve until their successor assumes office.
- B. The Council further declares that should the County of Orange agree to participate as a taxing entity, then the PFA membership shall be comprised initially of the Mayor, one member of the City Council appointed by the City Council, a member of the County Board of Supervisors, a public member selected by the City Council, and a member of the public selected by the Orange County Board of Supervisors. Members shall serve at the pleasure of their respective appointing legislative bodies and shall serve until their successor assumes office.
- C. The members are subject to compliance with the EIFD Law and Government Code Section 54974.

**Section 9. Preparation of Infrastructure Financing Plan.** The Council hereby requests the PFA to direct City staff to work with Southern California Association of Governments and Kosmont Companies to prepare the IFP in accordance with the EIFD Law.

**Section 10. Distribution of Infrastructure Financing Plan.** The Council hereby directs the City staff to distribute the IFP to each owner of land within the boundaries of the EIFD and each affected taxing entity, together with any reports required by the California Environmental Quality Act. The Council hereby authorizes City staff to also distribute the IFP to the PFA and the City's Planning Commission.

**Section 11. Public Hearing.** The Council hereby establishes June 18, 2019 at the hour of 7:00 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 time and place, when and where the PFA will conduct a public hearing on the proposed establishment of the EIFD and the IFP.

**Section 12. Mailing and Publication of Notice.** The City Clerk is hereby directed to mail a copy of this Resolution to the PFA and each owner of land (as defined in the EIFD Law) within the EIFD and to each affected taxing entity (as defined in the EIFD Law). In addition, the City Clerk is hereby directed to cause notice of the public hearing to be published not less than once a week for four successive weeks in a newspaper of general circulation published in the City. The notice shall state that the EIFD will be used to finance public works, briefly describe the Facilities, briefly describe the proposed financial arrangements, including the proposed commitment of incremental tax revenue, describe the boundaries of the proposed EIFD and state the day, hour, and place, when and where any persons having any objections to the proposed IFP, or the regularity of any of the prior proceedings, may appear before the PFA and object to the adoption of the proposed IFP.

**Section 13. Establishment of EIFD.** This Resolution in no way obligates the PFA to establish the EIFD. The establishment of the EIFD is subject to the approval of the PFA by resolution and an ordinance following the holding of the public hearing referred to above.

**Section 14. Severability.** If any section, subsection, phrase or clause of this Resolution is for any reason found to be invalid, such section, subsection, phrase or clause shall be severed from, and shall not affect the validity of, all remaining portions of this Resolution that can be given effect without the severed portion.

**Section 15. General Authorization.** The City Clerk and all other officers and agents of the City are hereby authorized and directed to take all actions necessary or advisable to give effect to the transactions contemplated by this Resolution.

**Section 16.** That the Mayor shall sign and the City Clerk shall attest to the passage and adoption of this Resolution.

**APPROVED and ADOPTED this 19th day of February 2019.**

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

ATTEST:

\_\_\_\_\_  
Patrick J. Melia, City Clerk

STATE OF CALIFORNIA  
COUNTY OF ORANGE

I, Patrick J. Melia, 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 19<sup>th</sup> day of February 2019 by the following vote:

|          |                 |
|----------|-----------------|
| AYES:    | Councilmembers: |
| NOES:    | Councilmembers: |
| ABSENT:  | Councilmembers: |
| ABSTAIN: | Councilmembers: |

\_\_\_\_\_  
Patrick J. Melia, City Clerk

APPROVED AS TO FORM:

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

# Old Town Placentia Revitalization Streetscape Master Plan

*Prepared by NUVIS Landscape Architecture  
for the City of Placentia*



City of Placentia ♦ 401 E. Chapman Avenue ♦ Placentia, CA 92870 ♦ (714) 993-8117