Holland & Knight

WHAT'S OLD, WHAT'S NEW AND WHAT WORKS:

INFRASTRUCTURE AND AFFORDABLE HOUSING FINANCING IN THE POST-REDEVELOPMENT ERA

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Infrastructure Financing After Redevelopment

- The dissolution of redevelopment agencies requires creative ways to finance **infrastructure** for the viability of new and more efficient development projects.
- **Enhanced Infrastructure Financing Districts (EIFDs)** provide a vehicle to finance public and private projects of "community-wide significance," including, among other things, **transportation** facilities, environmental **remediation** and **affordable housing**.
  - EIFDs channel one or more taxing agencies' (e.g., municipalities) tax increments to finance qualifying capital projects.
- In many cases, EIFDs work better when **paired with other financing mechanisms** – some old and some new – that are available under California law.

What's Old, What's New and What Works

What's Old:

Mello-Roos Community Facilities Districts (CFDs) *Gov. Code § 53311 et seq*.

- Financing for services and capital facilities, supported by special taxes
- Since tax-increment funds from the newer EIFDs only flow after development begins, they may require other upfront funds (e.g., CFD funds) to "prime the pump" and get the project started
- CFDs also provide an opportunity to fund services, not just capital projects

What's Leading Edge (2015):

Enhanced Infrastructure Financing Districts *Gov. Code § 53398.50 et seq.*

- Financing for a broad range of capital projects supported by tax increment, Vehicle License Fee (VLF) backfill and other sources
- For more details on EIFDs, see Holland & Knight's EIFD presentation and EIFD client alert

Infrastructure Revitalization Financing Districts (IRFDs) *Gov. Code § 53369 et seq.*

- Financing for capital projects supported by tax increment
- Flexibility to form "project areas" within district

What's Cutting Edge (2016):

Community Revitalization and Investment Authorities (CRIAs) *Gov. Code § 62000 et seq.*

- Tax increment financing, especially for affordable housing, in blighted areas

Revisions to the EIFD Law *Stats. 2015, Chapters 320 & 793*

- "Seaport Infrastructure Financing District" authorized as a special type of EIFD

Infrastructure Development Tools Compared

Current law provides a patchwork of different options …
What works is to "mix and match" to find the right fit for **your** project:

Areas	Mello-Roos/CFDs	EIFDs	IRFDs	CRIAs
Revenue Sources for Debt Service	Revenue from special tax	Tax increment, "net available revenue" from redevelopment funds, Vehicle License Fee backfill, grants/loans and other sources (other than school funds)	Tax increment and "net available revenue" from redevelopment funds (other than school funds)	Tax increment, grants/loans and other sources (other than school funds)
Uses for Financing	Enumerated services (police/fire, recreation, maintenance, etc.) and construction of capital facilities; affordable housing related services	Any "public capital facilities" or other "specified projects of communitywide significance" (brownfields restoration, transit priority projects, etc.), including affordable housing	"Facilities or projects of communitywide significance" (brownfields restoration, transit priority projects, etc.)	Specified projects within specified eligible blighted areas: infrastructure, affordable housing, environmental remediation, assistance to businesses, etc.
Voter Approval	2/3 approval	55 percent approval to issue bonds; no voter approval to create district	2/3 approval to create district and to issue bonds	Majority approval required if 25 percent of district's residents and property owners object to plan
Longevity of District/Bonds	Maximum term for maturity of bonds is 40 years	District must cease to exist 45 years from bond issuance	Maximum 40 years of tax increment; maximum maturity date of bonds is 30 years	District must cease to exist 45 years from date of creation; maximum term for maturity of bonds is 40 years
Ability to Create Smaller Areas Within District	Yes. CFDs may create specific improvement areas within district	No	Yes; IRFDs may create specific project areas within the district, subject to distinct limitations and financing	No

Conclusions

- The California Legislature has created several "Redevelopment 2.0" tools, but individually, they may not infuse enough capital to get some projects going
- Strategic pairing of new and old public finance tools may be required to "prime the pump"

What's Next

- likely higher cost of capital and the need for innovation
- affordable housing capital finance legislation and grant programs
- use of a layered capital stack

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