



CITY OF CARSON

Legislation Text

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Report to Mayor and City Council

Tuesday, September 03, 2019

Discussion

SUBJECT:

PRESENTATION BY KOSMONT & ASSOCIATES AND DISCUSSION REGARDING THE POTENTIAL ESTABLISHMENT OF A CARSON ENHANCED INFRASTRUCTURE FINANCING DISTRICT (CITY COUNCIL)

I. SUMMARY

Kosmont & Associates (Kosmont) was retained in 2017 by the City to evaluate the feasibility of establishing an Enhanced Infrastructure Financing District (EIFD) to fund essential infrastructure improvements in the City. EIFDs use the increase in property taxes when properties are developed (tax increment) to finance improvements. EIFDs do not increase property taxes for property owners. Kosmont's evaluation concluded that EIFDs have the ability to assist the City to raise funds; however, they would be most effective by forming partnerships with other taxing entities such as Los Angeles County and the Fire District with an allocation of a portion of their property taxes. This report provides a brief update to the City Council and requests direction regarding the formation of the proposed Carson EIFD. Kosmont will provide a presentation at the City Council meeting.

II. RECOMMENDATION

1. DIRECT staff to proceed with the formation of the Carson EIFD without the initial participation of other taxing entities; but continue to solicit the participation of other taxing entities.

III. ALTERNATIVES

1. DIRECT staff to continue soliciting for another taxing entities' participation into the Carson EIFD before proceeding with the formation of an EIFD; or
2. TAKE any other direction City Council deems appropriate.

IV. BACKGROUND

The State dissolved all redevelopment agencies in 2011 to balance the State's budget deficit. The Carson Redevelopment Agency was the tenth largest in California and provided \$28 million annually to implement revitalization projects. The loss of redevelopment funding severely impacted the City's ability to address properties such as former landfills and areas with insufficient infrastructure to support new development and promote economic development activities.

The Legislature adopted SB628 (Beall) in 2014 to partially address the problems that many cities faced without redevelopment agencies. The subsequent AB313 provided additional revisions to SB628. SB628 (and AB313) permitted the formation of EIFDs, which enable the use of tax increment financing to finance a wide variety of projects such as infrastructure, affordable housing, and brownfield remediation.

EIFDs provide broad flexibility in what they can fund. No public vote is required to establish an EIFD; however, a 55 percent vote is required to issue bonds. Unlike former redevelopment agencies, EIFDs impose no geographic limitations on where they can be used, and no blight findings are required. An EIFD can be used on a single street, in a neighborhood, or throughout an entire City. It can also cross jurisdictional boundaries and involve multiple cities and the County.

While the City can form an EIFD without participation from other taxing entities, one feature of EIFDs is to form partnerships with other taxing entities to increase their capacity. These partnerships can generate discussions between local agencies on how the tool can be used to fund common priorities. Over the past year, Kosmont and the City engaged the Los Angeles County on these common priorities based on the County's EIFD Participation Policy adopted on August 1, 2017, such as the development of housing, including affordable housing, and economic development. To date, however, the County of Los Angeles has not expressed interest in forming an EIFD.

Each participating taxing entity must make a voluntary decision to contribute a share of their allocated property tax distribution to the EIFD. EIFD statutes prohibit school districts from participating. Since Carson is a low property tax city, a partnership with another taxing entity, such as LA County or the County Fire District, would greatly enhance the effectiveness and financial capacity of the EIFD to facilitate economic development and growth within the Carson EIFD.

V. FISCAL IMPACT

The creation of a Carson EIFD without the participation of any other taxing entities would redirect future local property tax increments from the City to the proposed Carson EIFD to fund the list of projects adopted under the Infrastructure Financing Plan (IFP). There would be additional costs associated with EIFD formation and administration of the EIFD.

By forming the EIFD even without a taxing entity partner, the City would establish the base assessed value at the time of formation, which would increase the bonding capacity if a taxing entity decided to participate at a later time. However, a delay in EIFD formation may cause the City to lose out on years of increased assessed value and tax increment from the current influx of new developments.

VI. EXHIBITS

1. None

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