



CITY OF CARSON

Legislation Text

File #: 2019-1060, Version: 1

Report to Mayor and City Council

Tuesday, December 03, 2019

Discussion

SUBJECT:

CONSIDER RESOLUTION NO. 19-192 DECLARING INTENTION TO ESTABLISH THE CARSON ENHANCED INFRASTRUCTURE FINANCING DISTRICT TO FINANCE THE CONSTRUCTION, AND/OR ACQUISITION, AND MAINTENANCE OF CAPITAL IMPROVEMENTS; ESTABLISH A PUBLIC FINANCING AUTHORITY; AND AUTHORIZE CERTAIN OTHER ACTIONS RELATED THERETO (CITY COUNCIL)

I. SUMMARY

On September 3, 2019, staff and the City's EIFD Consultant, Kosmont & Associates ("Kosmont"), provided a brief update to the City Council and requested direction regarding the formation of the proposed Carson Enhanced Finance Infrastructure District ("EIFD"). The City Council directed staff to form the Carson EIFD without the initial participation of the other taxing entities, and also continue soliciting the participation of other taxing entities into the Carson EIFD. Shortly after the City Council update on October 9, 2019, new EIFD legislation (Assembly Bill 116) was approved by the State of California, which modifies the EIFD formation procedural requirements.

Specifically, AB 116 eliminates the voter-approval requirement before an EIFD Public Financing Authority ("Authority") issues bonds, and instead requires three (3) public hearings before the Authority approves the Infrastructure Financing Plan ("IFP"); as opposed to the single public hearing now required pre-AB 116. Additionally, AB 116 requires the IFP to be submitted to a vote (e.g. via mail-in ballot) if between 25% and 50% of landowners and residents in the proposed area object. If more than 50% of landowners and residents in the proposed area object to the IFP, then EIFD formation proceeds must halt for at least one year. A comparison table between the pre-AB 116 formation and debt issuance procedures and the post-AB 116 procedures is provided on Exhibit No. 1.

AB 116 will become effective on January 1, 2020. It is unclear how it will impact governmental entities currently in the process of forming an EIFD. Kosmont anticipates that there will be additional clarifying language added to AB 116 in the near future. If the City Council commences formation of an EIFD before January 1, 2020, the City might be optionally "grandfathered" into existing procedures; though staff cannot guarantee it as this depends on future legislative clarification on AB 116.

Staff expresses no opinion as to whether such procedures are preferable to those in AB 116, but rather desires to maximize the City Council's flexibility moving forward. Should the City Council subsequently decide it prefers the procedures enacted by AB 116, staff is of the opinion that the City Council would not be prevented from utilizing them (for example, with an updated, non-binding Resolution of Intent). Therefore, to possibly preserve more than one EIFD formation procedural option, staff is recommending adoption of the non-binding Resolution No. 19-192 declaring Intention to Form an Enhanced Infrastructure Financing District before the effective date of AB 116.

II. **RECOMMENDATION**

TAKE the following actions:

1. WAIVE further reading and ADOPT Resolution No. 19-192, "A RESOLUTION OF INTENTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, TO ESTABLISH THE CARSON ENHANCED INFRASTRUCTURE FINANCING DISTRICT TO FINANCE THE CONSTRUCTION, AND/OR ACQUISITION, AND MAINTENANCE OF CAPITAL IMPROVEMENTS; ESTABLISH A PUBLIC FINANCING AUTHORITY; AND AUTHORIZE CERTAIN OTHER ACTIONS RELATED THERETO"

III. **ALTERNATIVES**

TAKE another action the City Council deems appropriate.

IV. **BACKGROUND**

EIFDs can aid local government entities in funding public capital facilities, or other specified projects of communitywide significance, primarily by capturing tax increment revenue generated within the district. The primary source of revenue available to an EIFD, like a Redevelopment project area, is tax increment revenue. 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. Establishment of EIFDs does not increase the property tax for land owners within or outside the EIFD boundaries.

Resolution of Intention

One of the first legislative steps to form a Carson EIFD is to adopt a resolution of intention. The Resolution of Intention (Exhibit No. 2) proposing the establishment of the Carson EIFD describes the following:

- **Carson EIFD Preliminary Boundaries.** Though the exact boundaries of the Proposed EIFD Area are subject to further review and refinement, the current proposed boundary consists of 2,870 acres with \$1.1 billion in existing assessed

value (roughly 7% of City total assessed value) and over \$3 billion in potential new value from proposed projects within the boundaries. The proposed EIFD areas are the same areas presented to City Council on the September 3, 2019 EIFD Presentation (Exhibit No. 3) with the exception of the incorporation and addition of the Imperial Avalon Project in the Carson EIFD boundaries.

- **The types of public facilities and development proposed to be financed by the Carson EIFD.** The activities listed under the Resolution of Intention include all eligible activities under the EIFD legislation including Government code sections 53398.52, 53398.56 and 53398.57. This list provides the maximum range of eligible funded activities to attract other taxing entities to participate in the Carson EIFD.
- **Necessity of Carson EIFD and Goal.** The goal for the Carson 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 Carson EIFD and the surrounding community and, for those facilities located outside the Carson EIFD boundaries, also have a tangible connection to the properties within the Carson EIFD.
- **Use of Incremental Tax Revenue.** City property tax increment revenue generated within the Carson EIFD, above the base year may be allocated to the Carson EIFD. Should there be another taxing entity wishing to participate in Carson EIFD, their property tax increment revenue will also be contributed to the Carson EIFD.
- **The time and place for a public hearing on the proposed Carson EIFD to be conducted by the Public Financing Authority** - The public hearing is scheduled on June 16, 2020 in the City Council Chambers.

V. FISCAL IMPACT

There is no immediate fiscal impact as a result of this action. The possible preservation of more than one EIFD formation option may allow the City to choose a more cost effective EIFD Formation process in the future. To finalize the establishment of the EIFD, an amendment to Kosmont's contract will be presented to the City Council early next year.

VI. EXHIBITS

1. Comparison Table pre-AB 116 and post-AB 116 (pg. 4)
2. Resolution No. 19-192 (pgs. 5-13)
3. Carson EIFD Preliminary Boundaries (pg. 14)

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