



Legislation Text

File #: 2020-589, Version: 1

Report to Mayor and City Council

Tuesday, September 15, 2020

Consent

SUBJECT:

CONSIDER RESOLUTION NO. 20-140 AMENDING THE FISCAL YEAR 2020-21 BUDGET IN THE AMOUNT OF \$115,000 FOR THE PURPOSE OF CARSON ENHANCED INFRASTRUCTURE FINANCING DISTRICT (EIFD) FORMATION AND AUTHORIZE CERTAIN OTHER ACTIONS RELATED THERETO (CITY COUNCIL)

I. SUMMARY

The City has been considering the formation of the Carson Enhanced Infrastructure Financing District (“EIFD”) for the past several years. On December 3, 2019, the City adopted Resolution No. 19-192 to declare intention to establish the Carson EIFD to preserve the possible option of forming the EIFD under pre-AB 116 rules, pending legislative clarification of AB 116. To date, no legislative clarification has been provided by the State’s Legislative Analyst’s Office whether the City is able to form the EIFD under the pre-AB 116 procedures if it adopted a Resolution of Intent prior to the effective date of the new AB 116. Staff has previously expressed no opinion which EIFD formation procedures (pre-AB 116 or AB 116) were preferable. However, should Council decide to move forward with the formation of Carson EIFD at this time, the EIFD working group consisting of staff, the City Attorney’s Office, and Kosmont Companies is now recommending the formation under the AB 116 procedures.

Additionally, throughout this year, the EIFD working group has reached out to the County of Los Angeles (“County”) to jointly form the Carson EIFD. The County is forming an EIFD in the unincorporated area to the west called the West Carson EIFD. While the County initially expressed interest and continues to express interest in participating in the Carson EIFD, the County is not expected to provide a definitive determination on its preparedness to jointly form the EIFD in the near future. EIFDs are most effective when other taxing agencies participate. Otherwise, the EIFD can only pledge City’s property tax for infrastructure expenditures.

Staff is now seeking Council direction to move forward with the Carson EIFD formation without the initial participation of the County under AB 116 procedures. The County would remain eligible to join the EIFD and contribute a share of its property tax increment in a subsequent year. A cost estimate of the Carson EIFD formation is prepared based on AB

116 formation procedures. As such, staff is concurrently seeking approval of a budget amendment in the amount of an \$115,000 increase to form the Carson EIFD. If and when the County decides to participate in the Carson EIFD, an estimated additional cost of \$60,000 to \$70,000 will be necessary to modify the EIFD to include the County.

II. RECOMMENDATION

TAKE the following actions:

1. DIRECT staff to proceed with EIFD formation under new AB 116 procedures without initial County participation; and
2. WAIVE further reading and ADOPT Resolution No. 20-140, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, AMENDING THE FISCAL YEAR 2020-21 BUDGET IN THE AMOUNT OF \$115,000 FOR THE PURPOSE OF CARSON ENHANCED INFRASTRUCTURE FINANCING DISTRICT (EIFD) FORMATION".

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

EIFDs can aid local government entities in funding public infrastructure, 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 the EIFD area or outside the EIFD boundaries.

AB 116

AB 116 became effective on January 1, 2020, less than a month after the City adopted the Resolution of Intention ("ROI") to form the Carson EIFD. AB 116 eliminated 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"). 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, the EIFD formation process must halt for at least one year.

Advantages of AB 116

The formation of EIFD under AB 116 has the following advantages compared to pre-AB 116:

- **Validity.** Without legislative clarity regarding formation of the EIFD under pre-AB 116 procedures (legislative clean-up still pending), it is recommended that the City form the EIFD under the current AB 116 to ensure the Carson EIFD formation is valid.
- **Debt Issuance.** The current AB 116 guidelines authorize debt to be issued by the Public Financing Authority (PFA) via majority protest proceedings as part of the district formation process. This contrasts the pre-AB 116 process that requires an affirmative landowner/registered voter vote with a 55% majority as a separate process after district formation. This means that an EIFD would be able to issue bonds sooner after formation, presuming adequate revenues are available, as opposed to having to hold an election of the qualified electors (i.e. property owners, residents) at a future time before a bond sale could be authorized.
- **Transparency.** AB 116 provides additional public hearings by the EIFD's PFA as part of the formation process. Furthermore, annual reporting and audit requirements are incorporated to ensure information is available to the public.

EIFD Formation Costs under AB 116

Staff estimates that EIFD formation will cost approximately an additional \$115,000 that has not been budgeted for Fiscal Year 2020-2021. The \$115,000 does not include staff, legal, and Kosmont Companies contract that has already been approved and budgeted. The breakdown of formation costs are as follows:

- **Legal Description Services (\$75,000):** To form the EIFD boundaries, a legal description must be prepared by a qualified consulting firm. On June 18, 2020, the City issued a Request for Proposal ("RFP") seeking qualified firms. Four proposals were received by the RFP deadline of July 8. A selection committee reviewed the proposals and evaluated each firm on the criteria set forth in the RFP. The firm recommended by the selection committee, D. Woolley & Associates, has a fee of \$55,412.00 that does not include the costs of obtaining title reports. The estimated total cost for legal description services with title report costs is \$75,000.
- **State Board of Equalization Filing Fee (\$20,000):** At the end of the EIFD formation process, a filing fee must be submitted along with the application of jurisdictional boundary change to State Board of Equalization. The fee is based on

acreage per single area (i.e. acres of continuous parcels). Based on the current proposed EIFD boundaries of 250-300 parcels, staff estimates the filing fee to amount to \$20,000.

- **Printing, Mailing and Public Hearing Noticing (\$20,000):** AB 116 formation proceedings require five (5) mailings of notices/documents each to all property owners and residents within the EIFD boundaries. To reduce costs, staff intends to mail out one page notices with web links to published documents such as the IFP and ROI as an alternative method to mailing out entire documents. In addition, six newspaper postings of approximately 260 words each are required. Staff estimates the cost of printing, mailing and noticing to amount to \$20,000.

The above costs may be reimbursable and be paid back to the City once the EIFD is formed and future EIFD tax increment revenues are received. Without initial County participation, the City alone would pay the entire EIFD formation costs upfront.

EIFD Formation without initial County Participation

Since Carson is a low property tax city, a partnership with another taxing entity such as the County would greatly enhance the effectiveness and financial capacity of the Carson EIFD to facilitate economic development and growth within the Carson EIFD. Although the County has expressed greater interest earlier this year more so than in prior years, they ultimately have not yet agreed to participate. To avoid delays in formation, staff is seeking direction to immediately proceed with Carson EIFD formation under new AB 116 laws.

Immediate formation of the Carson EIFD without initial County Participation includes the following advantages:

- Once revenues generate within the EIFD, the Carson EIFD would provide developers with a sense of confidence that the City has an established financial mechanism to reimburse infrastructure projects built upfront by developers beyond their fair share. This applies to development projects with development agreements and/or reimbursement agreements with the City.
- If the Carson EIFD is fully formed by August 2021, this would allow for the most recent equalized tax roll to be captured. In general, the earlier the property tax roll is captured the more tax increment revenue the EIFD is able to generate. The EIFD formation process may take approximately five to six months to complete from initial authorization.

Immediate formation of the Carson EIFD without initial County participation includes the following disadvantages:

- The City property tax increments would be the only primary revenue source for the EIFD. Carson receives only 6.74 cents on each property tax dollar collected in the City. Only a portion of the 6.74 percent amount would be designated to the

Carson EIFD. In this scenario, no County property tax increments would be generated. County's initial participation would have guaranteed the County's portion of property tax increment dollars generated in the Carson EIFD to stay within Carson instead of elsewhere in the County. Without County's participation, property tax increment dollars generated in Carson may continue to be spent elsewhere in the County.

- If the County later decides to participate in the Carson EIFD, the future proceedings to include the County may cost the Carson EIFD approximately \$60,000 to \$70,000. The estimated breakdown is as follows:
 - Printing, Mailing and Public Hearing Noticing - \$20,000
 - Consulting Fee (Kosmont Companies) - \$15,000
 - City Attorney Fees - \$25,000 to \$35,000

Next Steps

Should Council approve this item as recommended, staff will subsequently bring the following legislative action items for Council's consideration:

1) Adoption of a Supplemental Resolution to Amend the Resolution of Intention No. 19-192 to Establish the Carson EIFD (October 2020). This action updates the City's adopted ROI to form the EIFD to make to following changes:

- Restate intention to form under new AB 116 law.
- Establish new time and place for the first PFA public hearing.
- Reaffirm the same appointments of the PFA Board Members from the April 7, 2020 City Council meeting.
 - i. Mayor, Albert Robles
 - ii. Mayor Pro-Tem, Jim Dear
 - iii. Council Member, Jawane Hilton (Alternate Member if County Participate)
 - iv. Member of the Public, Tiffany Rau
 - v. Member of the Public, Katie Pandolfo (Alternate, if County Participate)
- Provide minor (if any) adjustments to EIFD boundaries to reflect current development to optimize property tax increment revenues.

- Any other changes will be brought forth for Council's consideration.

- 2) **Award Contract Services Agreement with D. Woolley & Associates for legal description services** (October 2020).
- 3) **Conduct IFP Public Hearings and, if appropriate, Landowner/Resident Election** (November 2020 to February 2020).
- 4) **File the Carson EIFD Formation documentation with the State Board of Equalization** (March 2020).

V. FISCAL IMPACT

The formation of a Carson EIFD would require a budget amendment ("Exhibit No. 1") to increase various Community Development Department accounts by a total of \$115,000. Specifically, an increase of \$95,000 is requested for Planning, Professional Services Account No. 101-70-780-290-6004, \$12,500 for Community Development Meeting & Control Printing Account No. 101-70-780-100-6003, and \$7,500 for Community Development Meeting & Control Postage Account No. 101-70-780-100-6053. These costs may be reimbursable and be paid back to the City once the EIFD form and future EIFD tax increment revenues are received.

VI. EXHIBITS

1. Resolution No. 20-140 (pgs. 7-8)

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