



CITY OF CARSON

Legislation Text

File #: 2021-165, Version: 1

Report to Mayor and City Council

Tuesday, March 16, 2021

Discussion

SUBJECT:

CONSIDER THE FOLLOWING MATTERS RELATING TO THE ESTABLISHMENT OF THE CARSON ENHANCED INFRASTRUCTURE FINANCING DISTRICT (EIFD):

(1) ADOPTION OF RESOLUTION NO. 21-021 DECLARING INTENTION TO ESTABLISH THE CARSON EIFD TO FINANCE THE CONSTRUCTION, AND/OR ACQUISITION OF CAPITAL IMPROVEMENTS, THE REMEDIATION OF BROWNFIELDS AND THE PROVISION OF LOW- AND MODERATE-INCOME HOUSING; TO ESTABLISH A PUBLIC FINANCING AUTHORITY; AND AUTHORIZE CERTAIN OTHER ACTIONS RELATED THERETO;

(2) APPOINTMENT OF THE PUBLIC FINANCING AUTHORITY (PFA) MEMBERS FOR THE CARSON EIFD; AND

(3) ESTABLISHMENT OF A PUBLIC HEARING DATE PERTAINING TO THE CARSON EIFD AND THE DRAFT INFRASTRUCTURE FINANCING PLAN (CITY COUNCIL)

I. SUMMARY

On December 3, 2019, the City adopted Resolution No. 19-192 declaring intention to establish the Carson Enhanced Infrastructure Financing District ("Carson EIFD") to finance the construction and/or acquisition and maintenance of capital improvements. On April 7, 2020, the City appointed members of the Public Financing Authority ("PFA") to serve as the governing board of the Carson EIFD. Subsequently, the County of Los Angeles ("County") expressed its interest in participating in the Carson EIFD and adopted a Resolution of Intention on November 24, 2020. The County also approved entering into a Memorandum of Agreement ("MOA") with the City to further indicate their intention to participate in the Carson EIFD. The County's participation in the Carson EIFD would require certain formation steps to be retaken including the adoption of an updated Resolution No. 21-021 ("ROI") (Exhibit No. 1). Furthermore, the County has to take final action on the formation of the EIFD after all required hearings are held. To initiate the Carson EIFD formation with the County's participation, the following legislative actions are summarized for Council's consideration and direction:

1. Resolution No. 21-021. One of the first legislative steps to form a Carson EIFD is to adopt a resolution of intention. The City previously adopted Resolution No. 19-192 to form the Carson EIFD. However, recent changes in the proposed boundaries, purposes and taxing entity participation have occurred which necessitate the adoption of an updated ROI. Specifically, this ROI provides the following updates:

- Restates the intention to form under the new requirements of AB 116 EIFD law.
- Minor adjustments to the Carson EIFD boundaries (Exhibit No. 2) to reflect current development to optimize property tax increment revenues. Additionally, oil refinery properties have been removed to accommodate the County's desire to not fund ongoing operations of these facilities.
- Adds the County of Los Angeles as a member of the Carson EIFD.
- Appoints new members of the PFA from the City.
- Restates certain findings and requirements of the law.

2. Appointment of the PFA members from Carson. PFA members would be responsible for every action taken by the Carson EIFD, which includes issuance of bonds and other matters relating to public infrastructure financing for the Carson EIFD.

Under the ROI, the City's PFA appointments would constitute the Mayor, a member of the City Council, and a member of the public. The County's appointments would include the County Supervisor or her designee and a member of the public appointed by the County. As of the time of this writing, the County has not formally appointed its two PFA members.

On April 7, 2020, the City appointed former Mayor Robles, Mayor Pro Tem Jim Dear, Councilmember Jawane Hilton (Alternate), Tiffany Rau, and Katie Pandolfo (Alternate). Originally, alternate members would offer his or her seat on the board to members appointed by the County Board of Supervisors if the County agreed to partner with the City in the Carson EIFD. With the County's partnership, the City now only needs to appoint three PFA members including the Mayor, one other member of the City Council, and one member of the public. Alternate members are no longer necessary.

The PFA members have not had the opportunity to convene due to delays in the

Carson EIFD formation with the addition of the County as a partner. For consistency purposes, staff is recommending the appointment of the Mayor, the Mayor Pro Tem, and Katie Pandolfo (public member) to the Carson EIFD PFA. The member of the public appointed by the Council is intended to be any individual who lives or works within the boundary of the EIFD (Exhibit No. 2). Because the proposed Carson EIFD no longer includes oil refinery properties within its boundaries, a condition required by the County in return for their participation in the Carson EIFD, staff is recommending Katie Pandolfo be appointed to the PFA board instead of Tiffany Rau (Marathon Oil).

3. **Establish a public hearing meeting date pertaining to the Carson EIFD and draft Infrastructure Financing Plan.** Staff is recommending this public hearing meeting be held on May 2021 by the PFA, unless directed otherwise by the City Council. At this meeting, Kosmont (the City's EIFD consultant) and staff will provide the Carson EIFD overview including formation timeline and presentation of the draft Infrastructure Financing Plan ("IFP"). At a later date, and prior to the final approval of an IFP for the Carson EIFD by the PFA, the City Council and County Board of Supervisors will have an opportunity to review and approve the IFP. The Carson EIFD formation process would take several months to complete. To capture the prior year as the base year for tax increments, staff is targeting a Carson EIFD formation completion date of August 31, 2021 or earlier.

Staff also recommends that the PFA hold its first special meeting in the month of March to go over administrative matters pertaining to the Carson EIFD. If the County has not formally appointed its two PFA members by the date of the PFA's special meeting, the PFA may proceed with such meeting in order to continue with the target timeline for the formation of the Carson EIFD. Staff has communicated with County staff regarding the City's intention to hold this meeting as stated.

II. RECOMMENDATION

TAKE the following actions:

1. **WAIVE** further reading and **ADOPT** Resolution No. 21-021, "A RESOLUTION OF INTENTION THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, TO ESTABLISH THE CARSON ENHANCED INFRASTRUCTURE FINANCING DISTRICT TO FINANCE THE CONSTRUCTION, AND/OR ACQUISITION OF CAPITAL IMPROVEMENTS, THE REMEDIATION OF BROWNFIELDS AND THE PROVISION OF LOW- AND MODERATE-INCOME HOUSING; TO ESTABLISH A PUBLIC FINANCING AUTHORITY; AND AUTHORIZE CERTAIN OTHER ACTIONS RELATED THERETO;" and

2. **APPOINT** the Mayor, the Mayor Pro Tem, and Katie Pandolfo (member of the public) as the governing board members of the Public Financing Authority for the Carson EIFD; and
3. **ESTABLISH** a public hearing meeting date pertaining to the Carson EIFD and draft Infrastructure Financing Plan.

III. ALTERNATIVES

TAKE any other 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. Therefore, new developments will increase property values, generate increased property taxes, and add revenues to the EIFD. 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.

Since 2017, the City has been working on the formation of the Carson EIFD. As 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. The County has approved the MOA to partner with the City in the EIFD formation provided that \$10,000,000 of the Carson EIFD’s funds are used to facilitate the development of the Creek at Dominguez Hills project (“Project”) and at least 20% of all EIFD revenues are set aside for low- to moderate-income housing developments. The remaining EIFD revenues are to be spent in accordance with the Infrastructure Financing Plan (“IFP”), which is currently being prepared by the City’s EIFD consultant, Kosmont & Associates Inc. (“Kosmont”) and reviewed by the City and County at staff level.

Carson EIFD Infrastructure Financing Plan (“IFP”)

Once appointed, the Carson EIFD PFA would review and approve the IFP in accordance with the MOA and the public review process. The IFP will include tax increment revenue projections and a list of projects to be funded by the Carson EIFD. The Carson EIFD is expected to generate approximately \$134 million (in present value dollars) to fund infrastructure and affordable housing projects of communitywide and regional significance over the Carson EIFD’s lifetime. This is equivalent to approximately \$313 million in nominal 2021 dollars. The Carson EIFD’s lifetime is the earlier of: (1) forty-five (45) years from the date on which the first issuance of bonds or acquisition of a loan is approved by the PFA or

(2) June 30, 2099.

The Carson EIFD revenues are funded from the property tax increment generated by properties located within the Carson EIFD boundaries. The Carson EIFD encompasses approximately 1,735 acres of land, representing approximately 14% of the City's total 12,141 acres. The City would contribute 52 percent of its property tax increment to the Carson EIFD. The County would contribute 25 percent of its property tax increment to match the City on a dollar-for-dollar basis. This match effectively doubles the amount of revenue generated in the Carson EIFD (compared to a no partnership scenario) which increases the Carson EIFD's financial capacity to fund eligible infrastructure projects in Carson. It is important to note that projects funded by the Carson EIFD do not necessarily have to be located within the Carson EIFD boundaries. Instead, any projects with tangible benefit to the properties within the EIFD would be eligible for funding.

As depicted in the Table 1.0 below, the initial emphasis of the draft IFP, prepared by Kosmont, is placed on the first \$50 million in net funding anticipated to be available in the first 20 years of the Carson EIFD's lifetime, considering the present value of future dollars, as well as estimated interest and debt issuance costs.

#	Projects / Activities	Estimated Allocation
1	Affordable Housing Projects	\$10.0 million
2	Victoria Golf Course Approved Remediation and Infrastructure Projects	\$10.0 million
3	Brownfield Site Remediation / Roadway / Pedestrian / Bicycle / Streetscape / Beautification Improvements	\$30.0 million
Estimated Total Funding Available – Initial 20 Years of District Lifetime		\$50.0 million

Table 1.0: Estimated EIFD Funding Allocation - Initial \$50 Million in First 20 Years of District

1. **Affordable Housing Projects:** The EIFD will prioritize and implement a 20% affordable housing set-aside, based on all funds generated, for the acquisition, construction, or rehabilitation of housing within City of Carson for persons of very low, low, and moderate income, for rent or purchase. The 20% set-aside of all annual Carson EIFD revenues is a condition required by the County in return for their participation in the Carson EIFD and is applicable throughout the life of the EIFD. The PFA will coordinate with the City of Carson and the Carson Housing Authority for implementation and administration of these funds and projects.
2. **Victoria Golf Course Approved Remediation and Infrastructure Projects:** After the allocation of the affordable housing set-aside, fifty percent (50%) of all annual Carson EIFD revenues will be allocated to the Victoria Golf Course Approved Remediation and Infrastructure Projects up to \$10,000,000. The \$10,000,000 amount is a condition required by the County in return for their participation in the Carson EIFD. If The Creek

at Dominguez Hills or another vertical development at the same location, in case the Creek at Dominguez Hills does not move forward, is not substantially completed by December 31, 2032, any funds remaining from the allocation shall be remitted back to the Carson EIFD. Remitted funds may be spent on EIFD eligible projects mutually agreed to by the City and County.

3. *Brownfield Site Remediation/Roadway/Pedestrian/Bicycle/Streetscape/ Beautification Improvements ("Improvements")*: Following the annual allocation of funding to the affordable housing set-aside and allocation of 50% of remaining revenues to Victoria Golf Course Approved Remediation and Infrastructure Projects (up to \$10,000,000), the remaining EIFD funding will be available for Improvements. Remediation will focus on various contaminated project sites, including former landfill sites. Rehabilitation and beautification will focus on numerous targeted corridors serving the District properties, including such tasks as roadway and sidewalk expansions, wayfinding signage, streetlights, utility wraps, benches, street banners, civic art, parks, recreational and open space improvements, public safety/surveillance enhancements, and neighborhood connectivity improvements, such as pedestrian and bicycle networks and trails.

Additional expenditures by the EIFD, including any use of potential future EIFD bond proceeds, will be subject to approval by the PFA. The EIFD will not include funds to support ongoing operations of oil refinery activities. The EIFD may finance planning and design activities that are directly related to the purchase, construction, expansion, or rehabilitation of eligible projects as described in Government Code Sections 53398.52, 53398.56, and 53398.57. Example projects may include, but not be limited to, the following:

- Highways, interchanges, ramps and bridges, arterial streets, parking facilities, and transit facilities
- Sewage treatment and water reclamation plants and interceptor pipes
- Facilities for the collection and treatment of water for urban uses
- Flood control levees and dams, retention basins, and drainage channels
- Childcare facilities, libraries, and other government facilities
- Parks, recreational facilities, and open space
- Facilities for the transfer and disposal of solid waste, including transfer stations and vehicles
- Brownfield restoration and other environmental mitigation
- The acquisition, construction, or rehabilitation of housing for persons of very low, low, and moderate income, as defined in Sections 50105 and 50093 of the Health and

Safety Code, for rent or purchase

- Projects that enable communities to adapt to the impacts of climate change, including, but not limited to, higher average temperatures, decreased air and water quality, the spread of infectious and vector-borne diseases, other public health impacts, extreme weather events, sea level rise, flooding, heat waves, wildfires, and drought
- The acquisition, construction, or improvement of broadband Internet access service

Next Steps

Should Council provide direction as recommended, staff would take the following steps to form the Carson EIFD:

1. **Hold 1st PFA meeting.** This meeting is necessary to for the PFA to direct the preparation of the IFP and review of the IFP.
2. **Conduct IFP public hearings and, if appropriate, landowner/resident election** (May 2021 to August 2021). Under EIFD law, and consistent with ROI, notices must be sent out to inform landowners, residents, and affected taxing entities regarding the Carson EIFD ROI and draft IFP. These notices provide the public the opportunity to participate in the Carson EIFD formation process. Three (3) public hearings before the PFA are required prior to the approval of the IFP. In addition, the IFP is reviewed by the City's Planning Commission.

Additionally, the EIFD formation process under 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 over the age of 18 in the proposed area protest in writing or verbally at the final public hearing. If more than 50% of landowners and residents in the proposed area protest IFP approval and EIFD formation, the EIFD formation process must halt for at least one year. If less than 25% of landowners and residents over the age of 18 in the proposed area protest in writing or verbally at the final public hearing, the IFP may be approved by the PFA and the EIFD may be formed.

3. **Obtain final approvals by the City and County.** As one of the final steps in the formation of the EIFD, the City Council and the County Board of Supervisors are required to approve the IFP and each entity's commitment of property tax increment to the EIFD.
4. **EIFD Formation documentation.** File the Carson EIFD Formation documentation with the State Board of Equalization (Fall 2021). After the adoption of the IFP and public hearings, the last step in the formation is to file the documentation with the State Board of Equalization.

V. FISCAL IMPACT

The City Council action on this item does not have a fiscal impact. However, ultimately, the

formation of the EIFD will have a positive fiscal impact. It is projected that \$50 million could be generated in net funding over the first 20 years of the proposed Carson EIFD's 45 year term. Funding will be spent in accordance with the adopted IFP and would include EIFD contributions to the Creek at Dominguez Hills project, affordable housing developments, and other high priority improvement projects. Over the Carson EIFD's lifetime, approximately \$134 million would be made available (in present day value dollars). This equates to \$313 million in nominal 2021 dollars, of which \$156.5 million is generated from the City's property tax increment and \$156.5 million from the County's property tax increment.

Because the EIFD relies on property tax increment, a portion of the City's property tax increment (increment from properties located in the Carson EIFD) would be reallocated from the City's General Fund to the Carson EIFD thereby reducing the City's General Fund by \$156.5 million over the Carson EIFD's lifetime. However, after considering the County's dollar-for-dollar match, the amount of revenue generated in the Carson EIFD effectively doubles. This helps ensure that property tax increment generated in Carson, including the County's allocation, are used to fund eligible infrastructure projects within the City. Additionally, as required, a draft net fiscal impact report has been prepared as a component of the IFP, which demonstrates a positive net fiscal impact on the General Fund on an annual and cumulative basis over the District's lifetime. This report will be presented to the PFA and the City Council at a later date.

VI. EXHIBITS

1. Resolution No. 21-021 (pgs. 9-17)
2. Carson EIFD Boundaries (pg. 18)

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