

Can Counties and Cities get Along? EIFDs are a Start!



CSAC / ILG
April 2021

Moderator:

Larry J. Kosmont, CRE[®], Chairman & CEO, Kosmont Companies

Panelists:

Chad Wanke, Mayor Pro-Tem, Placentia & Chair of Placentia/Orange County PFA Board

Doug Chaffee, Vice-Chair Supervisor (4th District), Member of Placentia/Orange County PFA Board

Matt Treber, Chief of Development Services, Madera County



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Larry J. Kosmont, CRE® is Chairman & CEO of Kosmont Companies, which he founded in 1986. Kosmont Companies is an industry leader in public/private real estate transactions and economic development. In 1990, he founded Kosmont Realty, a real estate brokerage firm to transact property and ground leases for public private deals. In 2015, in compliance with licensing regulations, he launched Kosmont Transactions Services, Inc. (KTS) as an SEC/MSRB registered Municipal Financial Advisory firm. KTS sources financing for public agencies, public/private projects, P3 initiatives, and infrastructure funding. He is a co-principal of California Golden Fund, a USCIS approved EB-5 Regional Center.



Chad P. Wanke is the Mayor Pro Tempore of the City of Placentia. Chad was born in Anaheim and has lived his entire life in North Orange County. He graduated from Cal State Fullerton with a Bachelor of Arts in Geography. Chad has extensive experience in both the private and public sectors with an emphasis on land use, business administration and government affairs. As the Chairman / President of Orbis Capital, Chad directs all company activities; he is also a Partner at Third Encore Studios in North Hollywood and manages all of the company's Orange County activities. In 2008 Chad was elected as the Placentia City Treasurer and served in that position until he was elected to the City Council in 2010. He was reelected in 2014, and served as Mayor in both 2014 and 2017.



Doug Chafee was elected to the Orange County Board of Supervisors, Fourth District in November 2018. Supervisor Chaffee sits on several boards, commissions, and committees. Prior to his election, Doug twice served as Mayor of the City of Fullerton and served as a Councilmember for a total of 6 years. While serving on the City Council, he made addressing homelessness, open space and affordable housing his priorities. Doug is a longtime Fullerton resident, graduating from Fullerton Union High School in 1961, earned a B. A. in Economics from the University of Redlands in 1965, and a JD from the Northwestern University School of Law in 1968. He has been practicing law in the City of Fullerton for over 50 years.



Matt Treber has been with Madera County for 16 years. He was appointed as the Community and Economic Development Director in 2016 and to his current position of Chief of Development Services in 2020. He oversees the Public Works, Water and Natural Resources, and Community and Economic Development Departments. Mr. Treber has a Bachelor of Arts degree in Geography from Fresno State. He is a lifelong resident of Madera County where he lives with his wife and two children..

Outline

Larry Kosmont

Chairman & CEO
Kosmont Companies

Introduction and Overview

Chad Wanke

Placentia Mayor Pro Tem,
PFA Chair

Placentia Perspective – Placentia old town / TOD history, Why pursue an EIFD; how to approach County; next steps / future activity

Doug Chaffee

Orange County Supervisor,
PFA Vice Chair

Orange County Perspective – Why partner with Placentia, What's in it for the County; What should a county look for; next steps / future activity

Matt Treber

Chief of Development Services
Madera County

Madera County Perspective – Why pursue EIFDs proactively; history / status of EIFDs; how to approach cities to partner; next steps / future activity

Larry Kosmont

Chairman & CEO
Kosmont Companies

Summarize / Conclusions
Future of EIFDS – SB780, SB696

Questions and Discussion

HEADLINES!

A RETURN TO NORMALCY?

Vaccine rollout picks up speed, path to normality and herd immunity becomes clearer; **new normal by Q4 2021?**

Pandemic leads to major shifts in how we work, live, and play – **which changes will remain after 2021?**

FEDERAL HELP ON THE WAY (\$1.9T)

Use ARP funds to invest in Economic Development Initiatives.



RETAIL CENTERS REIMAGINING

Store closures and e-commerce driving changes at malls/retail centers. Outdoors & open space key amenities. Curbside pick-up here to stay.

Retail downsizing replaced by new blended use: fulfillment, office, parks, and residential. #RetailReimagination

SUBURBS SEE BOOM...

Inland Empire and other suburban areas see increase in home sales activity; boosted demand for suburban demand and “secondary cities.”

...URBAN REBOUND SOON?

Urban areas saw outflow and softened market during early pandemic; as businesses, amenities, and activities reopen, expect to see urban market recovery (*fueled by Gen Z*)

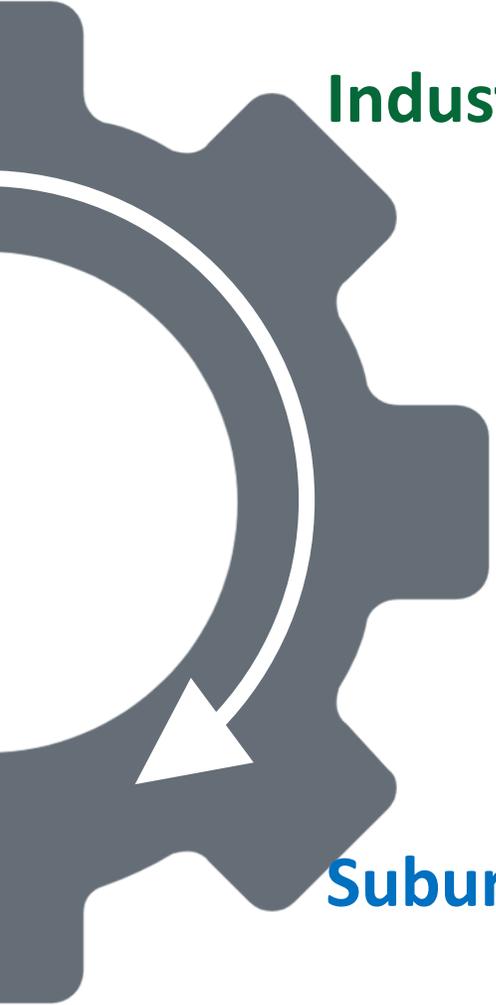


Land Use Revolution *Everything's Changing*

Hotel ★★★★☆	Resetting: Local leisure rebounding; convention / business delayed; Conversions to other uses; Project financing challenging
Retail ★★☆☆☆	Reimagining: Online accelerates; Essentials & Experience drive trips; Regional centers shifting from retail to blended uses
Office ★★★☆☆	Reconfiguring: Downsizing / rearranging space requirements; Suburban markets resilient; Work-from-home & local co-working story unfolding
Residential ★★★★☆	Renaissance: Demand strong; SF moving to more s.f. / suburban; MF and SF redesigning for workspace & amenities; MF favors medium density
Industrial ★★★★★	Redistribution: Demand for industrial / cold storage driven by online sales / last-mile delivery; warehouse & logistics; Onshore manufacturing

Everything is Changing

Drivers are Housing, Retail Reimagination, and Consumer-based Industrial



Industrial becoming infill **Retail** (*Distribution and last-mile delivery*)

Retail becoming anything else (*BOPIS, distribution, housing, services, entertainment, medical, education, other*)

Online becoming **Storefront** (*Showrooms and service*)

Storefronts moving **Online** (*Amazon Storefronts*)

Regional Centers moving to **Community Centers**

Urban becoming **Suburban** (*Open space and lower density*)

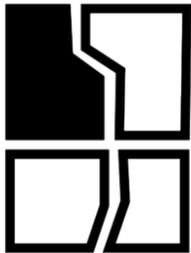
Suburban becoming **Urban** (*Higher density & urban amenities*)

Public Sector Innovation

Finding and Using New “Currency” for Economic Development

Cities and Counties spent decades building local economies on brick-and-mortar retail and sales tax revenue.

Public agencies can consider using economic development tools including zoning and special tax districts to reposition their communities for a sustainable & resilient future.



**Zoning
Currency**



**Economic
Development
Currency**
EIFDs &
Tax Districts



**Entitlements
Currency**



**Financing
Currency**

"Value-Capture" Districts to Complement Zoning

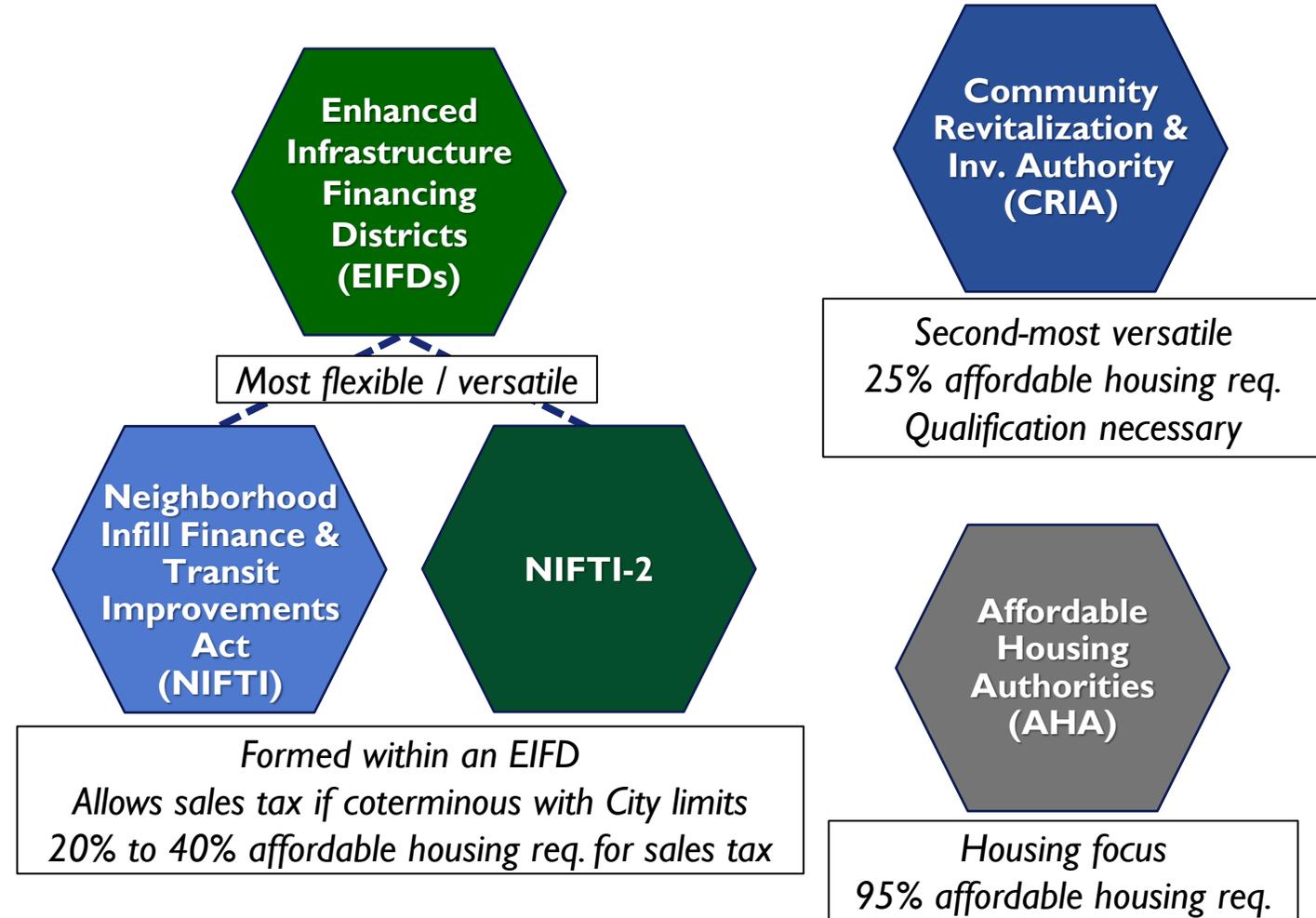
TIF is Tool to Induce Private Investment

State created tax increment financing (TIF) district tools to accomplish:

- Sustainability
- Resiliency
- Mobility
- Housing
- Public infrastructure
- Public amenities

Public Agencies can use these districts to fund infrastructure, attract grant funds, motivate private investment.

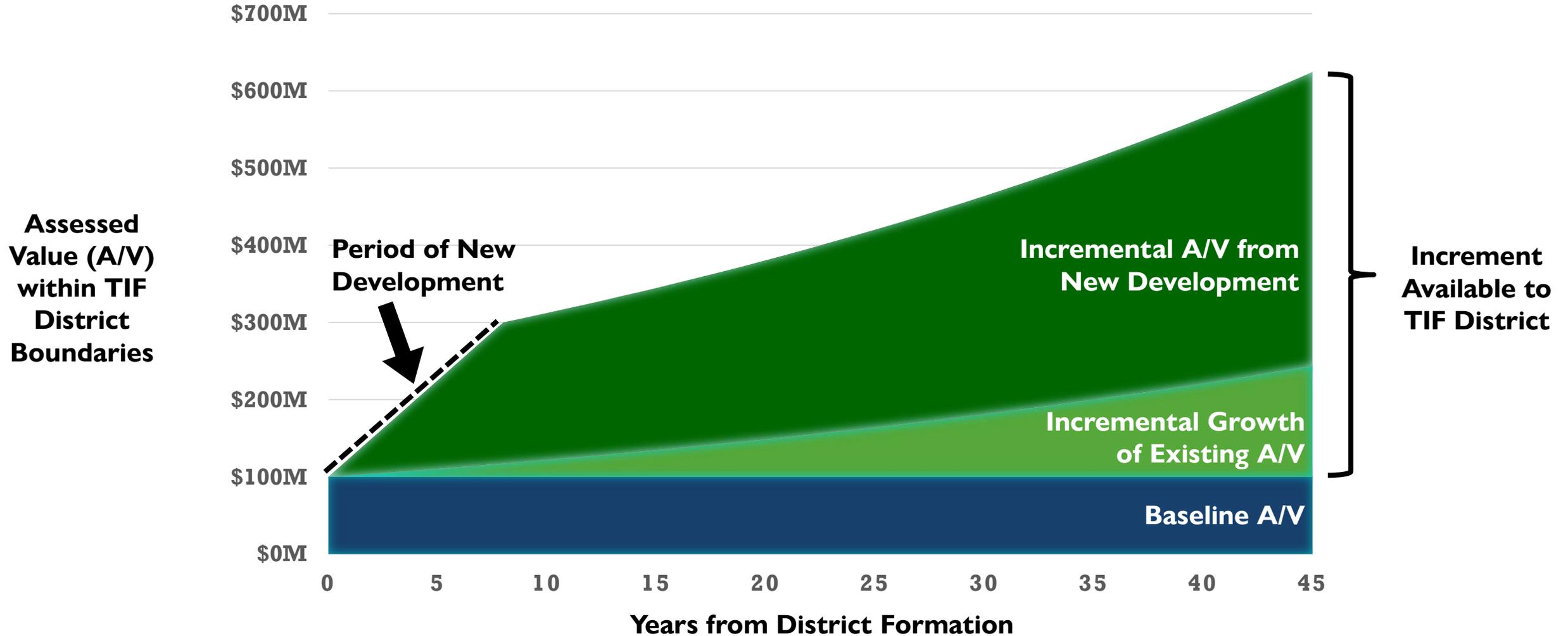
CREATES PUBLIC / PRIVATE ROI



EIFDs King of Value Capture – *The Fundamentals*

Tax Increment Financing	Tax increment from new development / assessed value increase used to <u>fund infrastructure projects in approved project areas</u>
Long-term Districts	Up to 45-year districts from first bond issuance; Districts provide <u>long-term, committed revenues</u> in targeted investment areas; Districts can be created in 12-18 months
Non-Contiguous Areas	EIFD project areas <u>do not have to be contiguous</u> , allowing them to target specific sites / areas and making them compatible with other zoning / entitlement strategies
Return on Investment	Private sector investment induced by District commitment accelerates growth of <u>net fiscal revenues, job creation, housing production, essential infrastructure improvements</u>
Attract Additional Funds	Allows community to attract <u>tax increment from other entities</u> (cities, special districts), <u>federal / state grants & loans</u> (TOD, water, housing, parks), brownfield funding
Eligible Projects	Any property with useful life of 15+ years and of communitywide significance; purchase, construction, expansion, improvement, seismic retrofit, rehabilitation, and <u>maintenance</u>

How Does Tax Increment Financing (TIF) Work?



Note: Illustrative. Conservative 2% growth of existing assessed value (A/V) shown; does not include mark-to-market increases associated with property sales.

Use EIFDs for Targeted Infrastructure Investment

Affordable Housing



Vision Plan
Area

Transit Projects

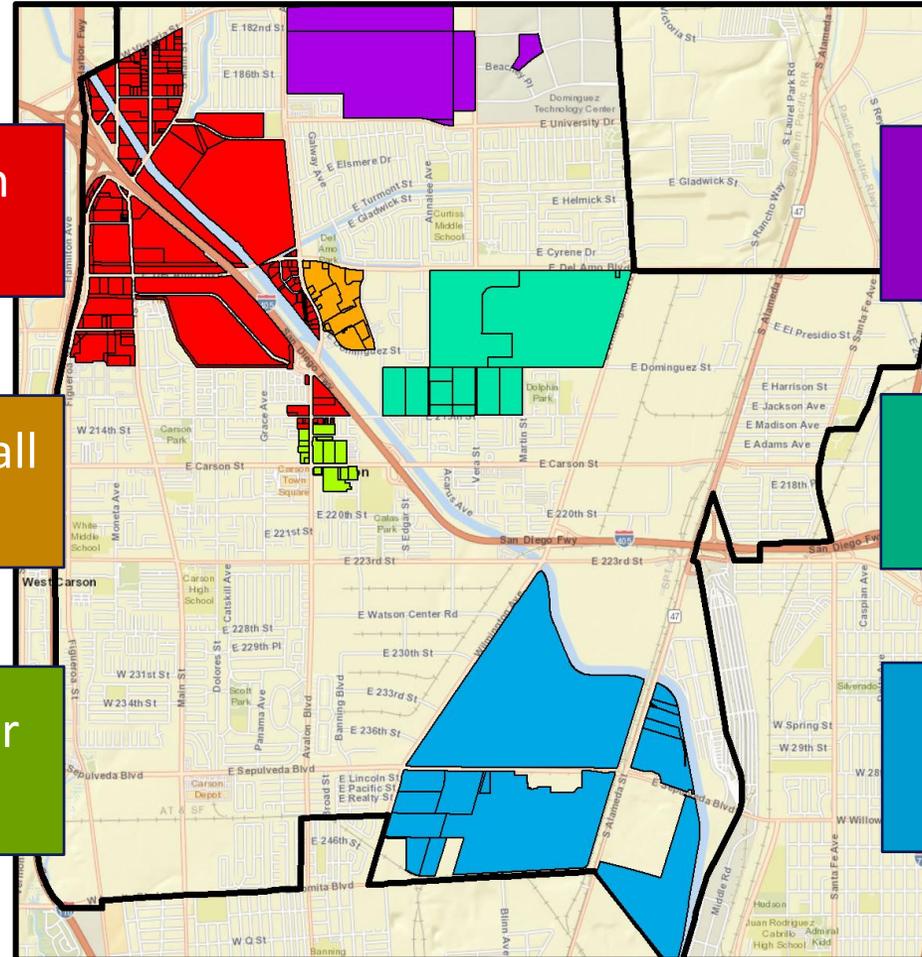


Regional Mall
Area

Civic Infrastructure



Civic Center
Area



Wastewater / Groundwater



University
Area

Parks / Open Space



Industrial
Area

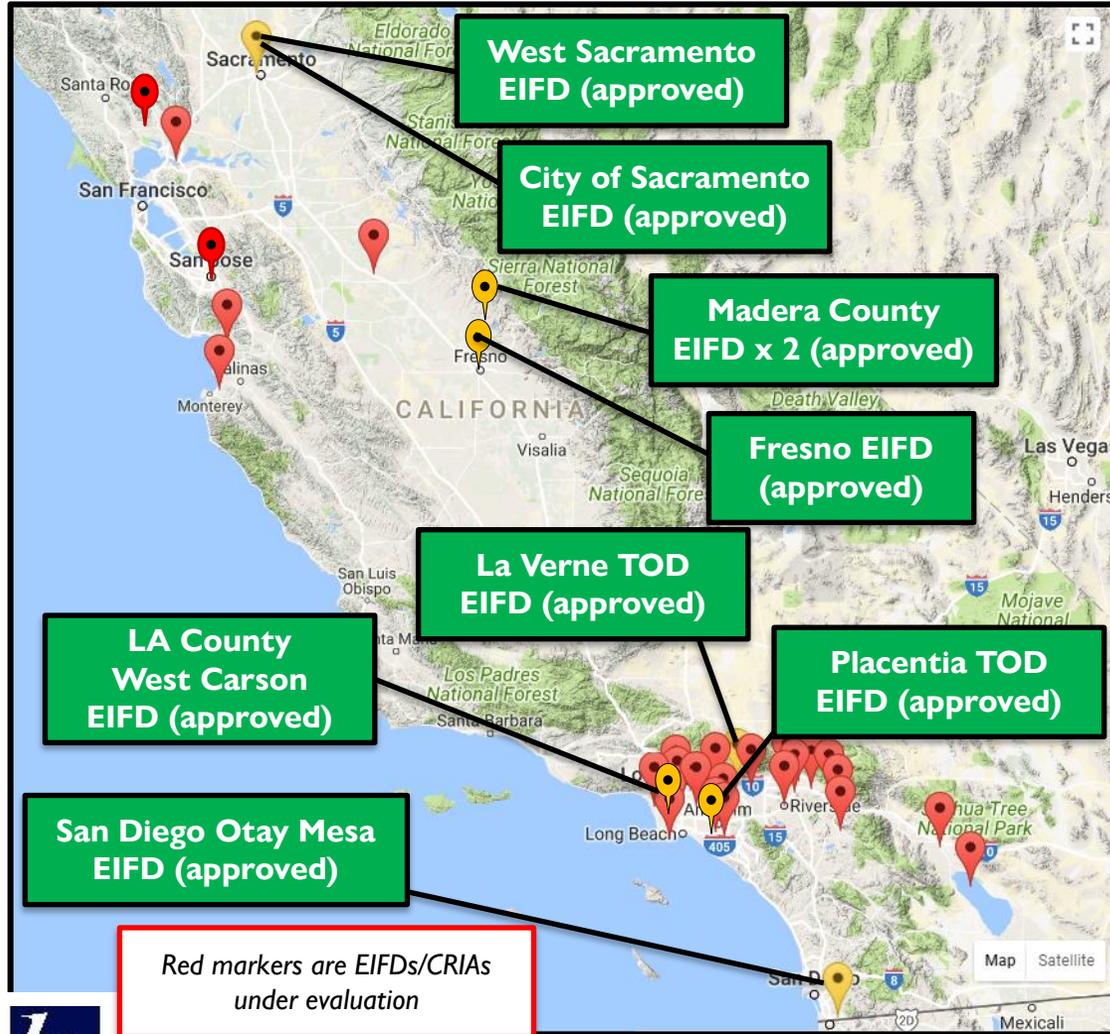
Brownfield Remediation



Industrial
Area

EIFD Progress Statewide

Partial List



Red markers are EIFDs/CRIs under evaluation

Jurisdiction	Purpose	
Azusa - Metro Grant	Housing and transit-supportive infrastructure	
Brentwood	Housing and transit-supportive infrastructure	
Carson + L.A. County	Remediation, housing-based infrastructure, recreation	
El Cajon	Housing and transit-supportive infrastructure	
El Segundo + L.A. County	Various infrastructure, regional connectivity	
Fresno	Housing and transit-supportive infrastructure	
I-5 Corridor - (Multiple Cities / Counties) - SCAG	Housing and transit-supportive infrastructure	
Indian Wells	Housing and tourism-supportive infrastructure	
Imperial County - SCAG	Housing and greenfield infrastructure	
La Verne + L.A. County	Housing and transit-supportive infrastructure	
Long Beach	Housing and transit-supportive infrastructure	
Los Angeles (Downtown) - Metro Grant	Housing and transit-supportive infrastructure	
Los Angeles (San Pedro) - SCAG	Housing and transit-supportive infrastructure	
Los Angeles (Vermont Corridor) - Metro / SCAG	Housing and transit-supportive infrastructure	
Los Angeles County - Uninc. West Carson - SCAG	Housing / bio-science / tech supportive infrastructure	
Los Angeles County - Uninc. East L.A. - SCAG	Housing -supportive infrastructure, community amenities	
Madera County	Greenfield infrastructure (water / sewer)	
Napa	Flood control, affordable housing, remediation	
Ontario	Housing and transit-supportive infrastructure	
Pittsburg	Housing and transit-supportive infrastructure	
Placentia + Orange County	Housing and transit-supportive infrastructure	
Redondo Beach + L.A. County	Parks / open space, recreation infrastructure	
Riverside	Housing and transit-supportive infrastructure	
Riverside County - Uninc. Salton Sea - SCAG	Water and housing-infrastructure	
Sacramento County	Industrial / commercial supportive infrastructure	
San Jose	Housing and transit-supportive infrastructure	
Santa Ana - SCAG	Housing and transit-supportive infrastructure	
Santa Fe Springs	Housing and transit-supportive infrastructure	
South Gate	Housing and transit-supportive infrastructure	
West Santa Ana Branch Transit Corridor (Multiple Jurisdictions) - Metro / SCAG	Housing and transit-supportive infrastructure	
Fully Formed	In Formation Process	Under Evaluation

Chad Wanke

Mayor Pro Tem, Placentia & Chair of
Placentia/Orange County PFA Board



History of the Placentia EIFD Area

- City founded in 1926
- Old Town is the original footprint of the city
- Based around the citrus packing houses and railroad
- Historically a heavily commercial and industrial area with limited residential uses



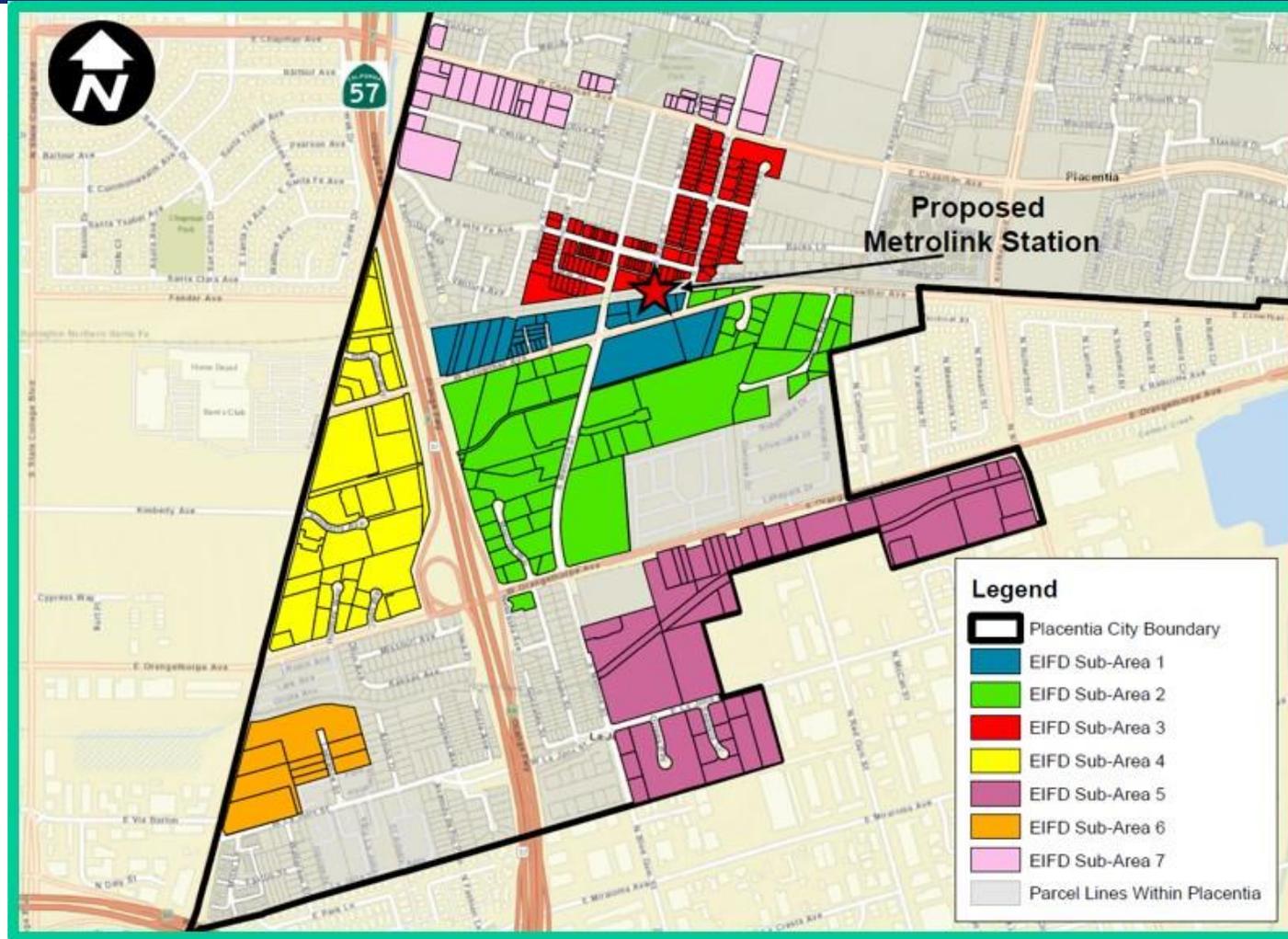
Old Town/TOD Zones



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EIFD Map



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Integral Communities/Lyon Living

Land area: 2.95 acres

Total Units: 215

Density: 72.9 DU/Acre

Under Construction

Completion: Summer
2021

Estimated Development
Impact Fees: \$2.4 million



JPI Development

Land Area: 4.4 acres

Total Units: 418 units

Commercial: 10,553 sq ft

Demolition Underway

Construction to begin
December

Estimated Development

Impact Fees:

\$6.9 Million



Why Pursue an EIFD

- Current infrastructure needs updating
- Metrolink Station is an opportunity
- Promote new development
- Improve the quality of life
- Grow our local economy
- Promote a High-Level of Public Amenities, Public Art, Creative Public Spaces
- Capitalize on our relationship with the County
- Developer to Finance Capital Street Improvements
- Developer to Finance Ongoing Maintenance (CFD) Costs
- Re-Assessment of Properties Owned in 1940s-1950s



Economic Benefit Analysis

Local and Regional Economic Impacts:

- 22M in net fiscal impact to the City (50-year present value)
- \$15M in net fiscal impact to County
- 1,600+ housing units
- 3,900+ construction jobs
- 1,150+ permanent jobs
- \$800+ million in economic output from construction
- \$164+ million in annual ongoing economic output, convenient transit to local universities, GHG/VMT reduction



Streetscape – Bradford Avenue



Current



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Streetscape – Bradford Avenue



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Streetscape – Santa Fe Avenue

Current



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Streetscape – Santa Fe Avenue



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Doug Chaffee

Vice-Chair, Supervisor (4th District), Orange County
& Placentia/OC EFD Board member



How did Placentia Achieve Success with Orange County?

- Relationships matter/know your goal
- Clear and consistent communication
- Strategic regional partner in SCAG, regionally beneficial infrastructure
- Several meetings and close coordination with the County CEO and CFO
- City held individual meetings with each County Supervisor
- Comprehensive presentation of EIFD process, benefits and next steps
- Conservative approach (benefits must be to both): Specific targeted infrastructure list, only 7% of City included within EIFD, <50% increment contribution from City and County, limited duration of 20 years



City / County Partnership to Catalyze Regional and Local Growth

Metrolink Station

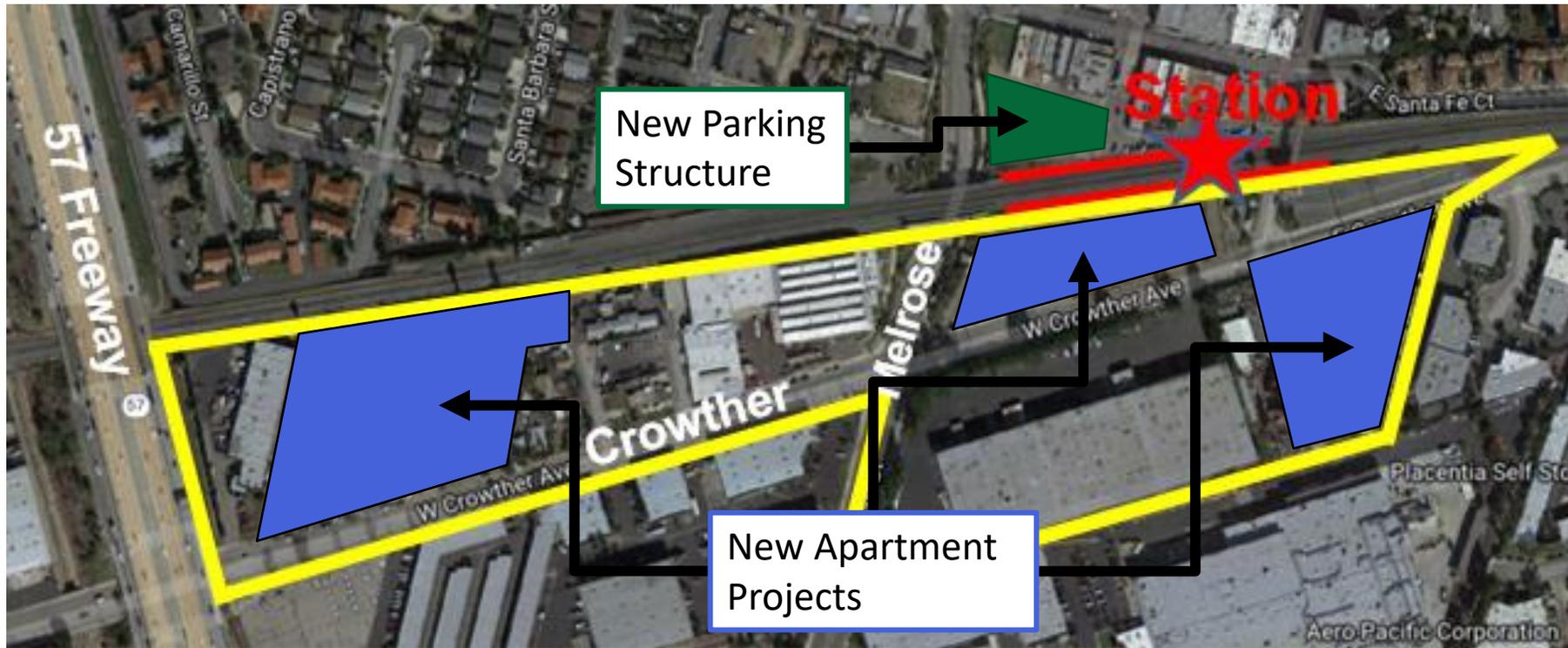
- 13th station serving 91 Line, runs from LA Union Station to DT Riverside
- Alternative to Fullerton Station on 91 Line
- Closest station to California State University, Fullerton
- Integral part of City's revitalization efforts for Old Town Placentia and TOD
- Estimated 10 trips and 530 passengers daily



Transit-Oriented Development (TOD)

Packing House District

- Comprehensive Outreach - 28 Community Meetings
- Partnership with OCTA & Metrolink



Catalyst for Regional / Local Economic Development and Master Planning

Metrolink Tentative Updated Schedule (*estimated*)

- *Construction of underground utilities currently underway*
- *Begin construction 2021*
- *Complete construction in 2023*



TOD Streetscape Master Plan



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TOD Streetscape Master Plan

Future



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What are the Next Steps / Future Activity?

- PFA currently in public hearing process to re-approve the IFP / EIFD per new AB 116 guidelines (May 2021)
- Judicial validation for debt (start May 2021)
- Engineering Design for the Streetscape Improvements (November 2021)
- Go out to bid (January 2022)
- Bond Issuance (TBD 2022)
- *Start Construction (TBD 2022)
- *End Construction (TBD 2022)

**Contingent upon available financing*



Lessons Learned: How Should Counties Approach EIFDs?

- Counties should be open to receiving / reviewing local EIFD Proposals
 - EIFD Statute supports local partnerships for infrastructure
 - Question for County – what’s is in for us/constituents outside the initiating City
- Counties Should Have a County EIFD Policy in place
 - Establish County Objectives (e.g., housing, transportation, infrastructure)
 - Finance Committee involvement
 - Ensure consistent and timely review if requests
- County Fiscal Impact Analysis necessary to ensure mutual benefits/protect county general fund
- Public Outreach by City and County is key to success
- Open discussion regarding which representatives should sit on PFA Board
- Make sure the Infrastructure Plan accomplishes county objectives as well



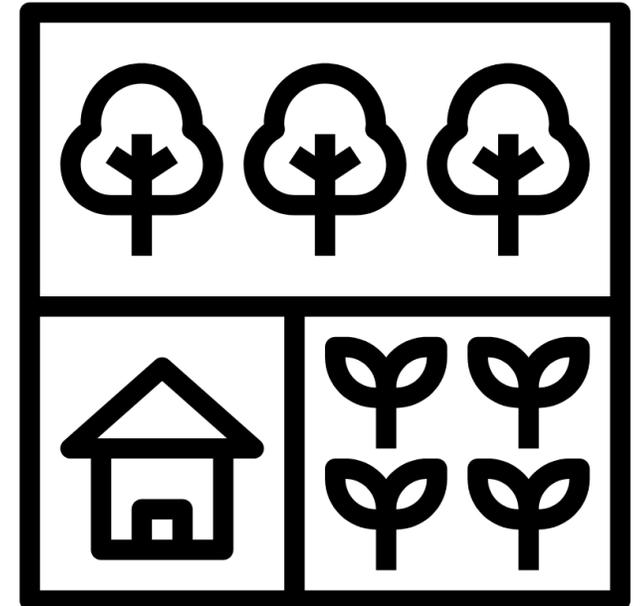
Matt Treber

Chief of Development Services,
Madera County

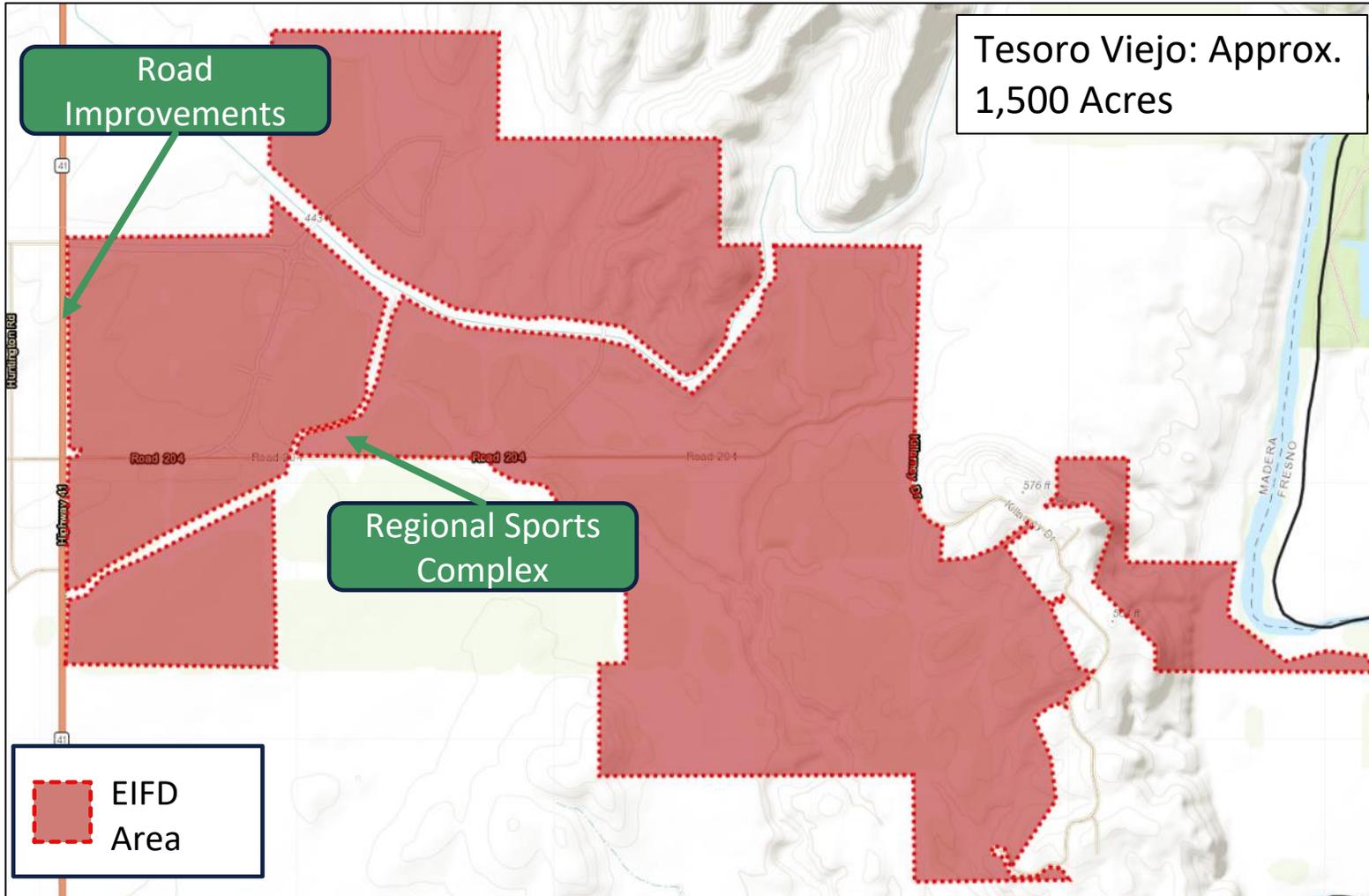


Madera County EIFDs

- Madera County has formed two EIFDs that are complete and approved for bonding:
 - Tesoro Viejo Area
 - Riverstone Area
 - *Ave 7 / Highway 99** (in progress)
- The development that occurs in these areas will help fund infrastructure improvements—such as road improvements and regional sports centers—that will help drive additional growth and improve quality of life



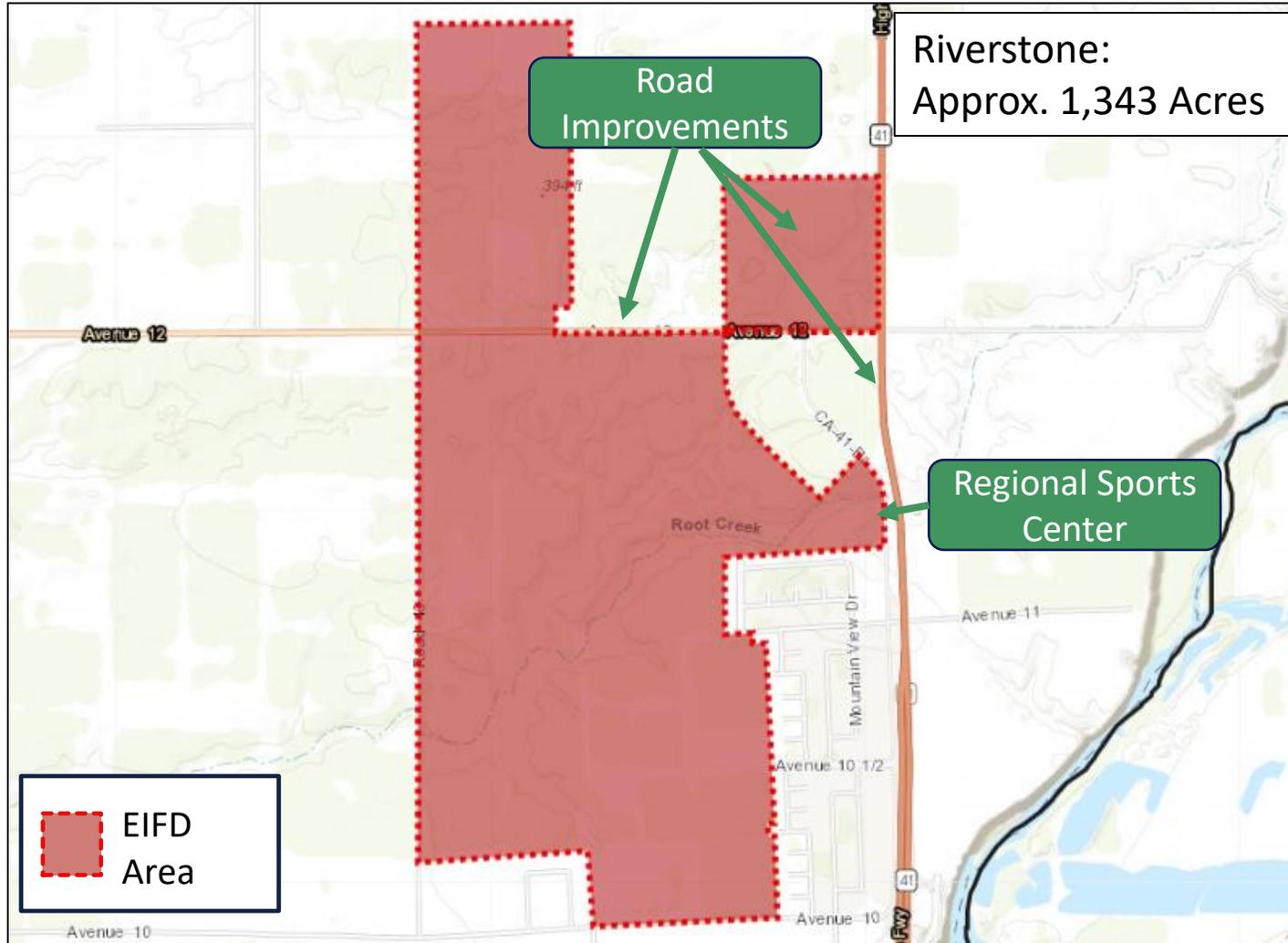
Madera County EIFDs



TESORO VIEJO EIFD AREA (2018)

Estimated New Development		
Type	Units	Est. Value
Single Family Res.	3,826 units	\$1.49 billion
Multi-family Res.	1,179 units	\$278 million
Commercial	1.9m SF	\$194 million
Industrial	1.5m SF	\$153 million
Infrastructure		Cost Est.
Road Improvements		\$20 million
Regional Sports Center		\$6 million
Other Public Improvements		\$5 million

Madera County EIFDs

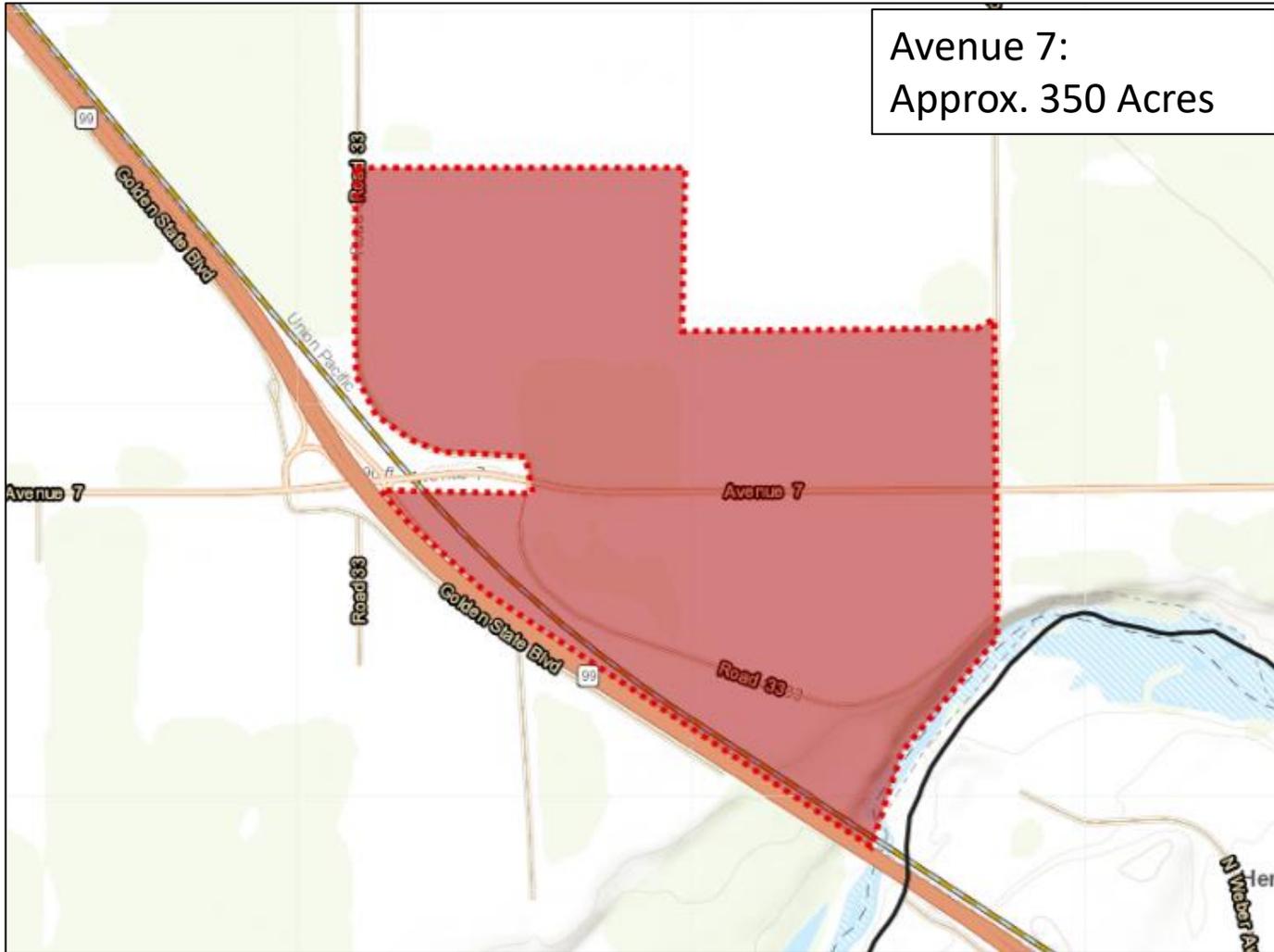


RIVERSTONE EIFD AREA (2018)

Estimated New Development		
Type	Units	Est. Value
Single Family Res.	4,738 units	\$1.77 billion
Multi-family Res.	1,587 units	\$369 million
Retail	800,000 SF	\$200 million
Office	500,000 SF	\$75 million
Hotel	75 Rooms	\$11.3 million

Infrastructure	Cost Est.
Road Improvements	\$40 million
Regional Sports Center	\$12 million

Madera County EIFDs



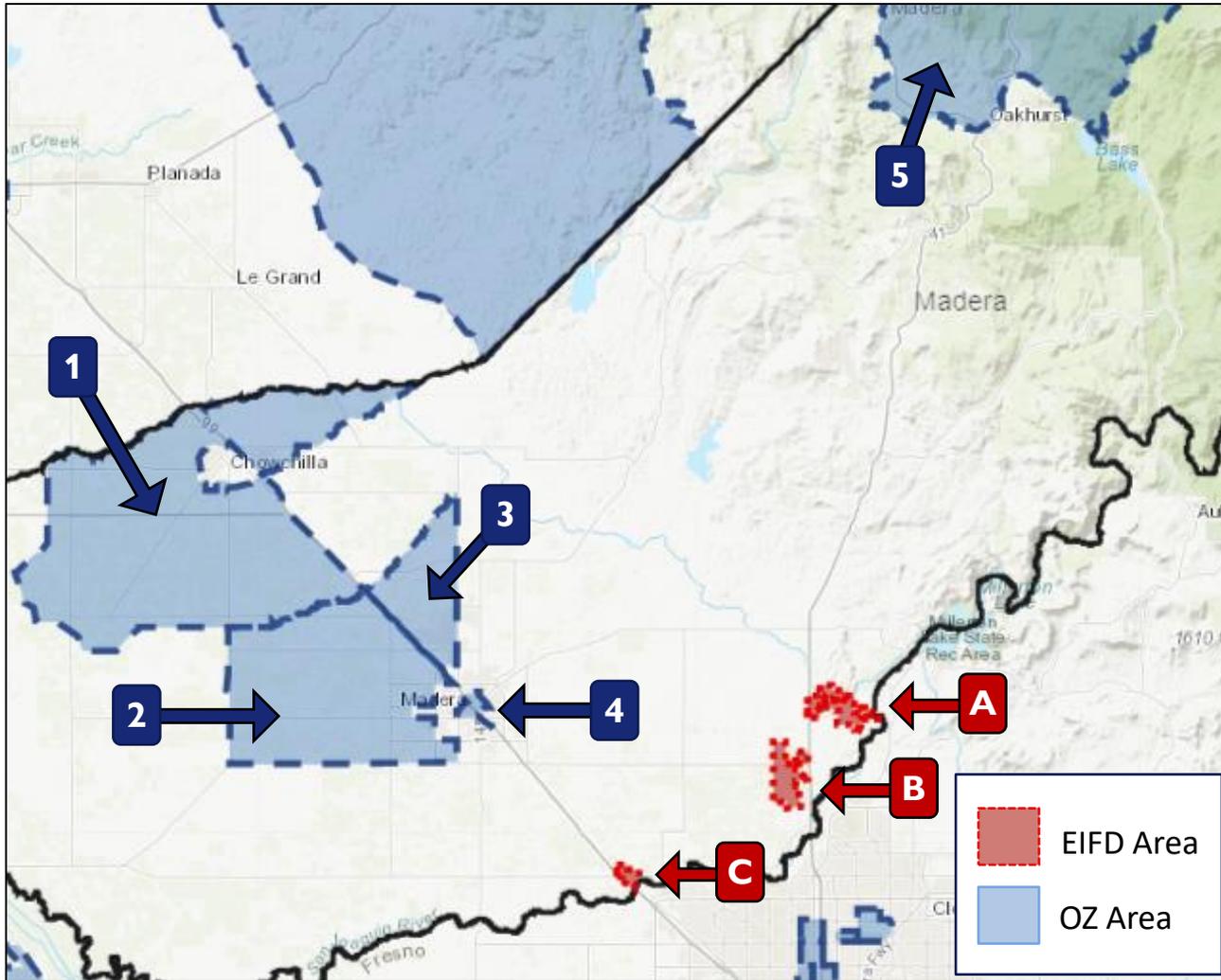
AVE 7 / HWY 99 EIFD AREA

Currently in Progress:

- *Adopted Resolution of Intent*
- *Created Board*
- *Currently drafting Infrastructure Financing Plan*

Estimated New Development		
Type	Units	Est. Value
Industrial	4.5m SF	\$275 million
Infrastructure		Cost Est.
Roads, Water, Sewer, Utilities, Other		\$10 million

Madera County OZs & EIFDs



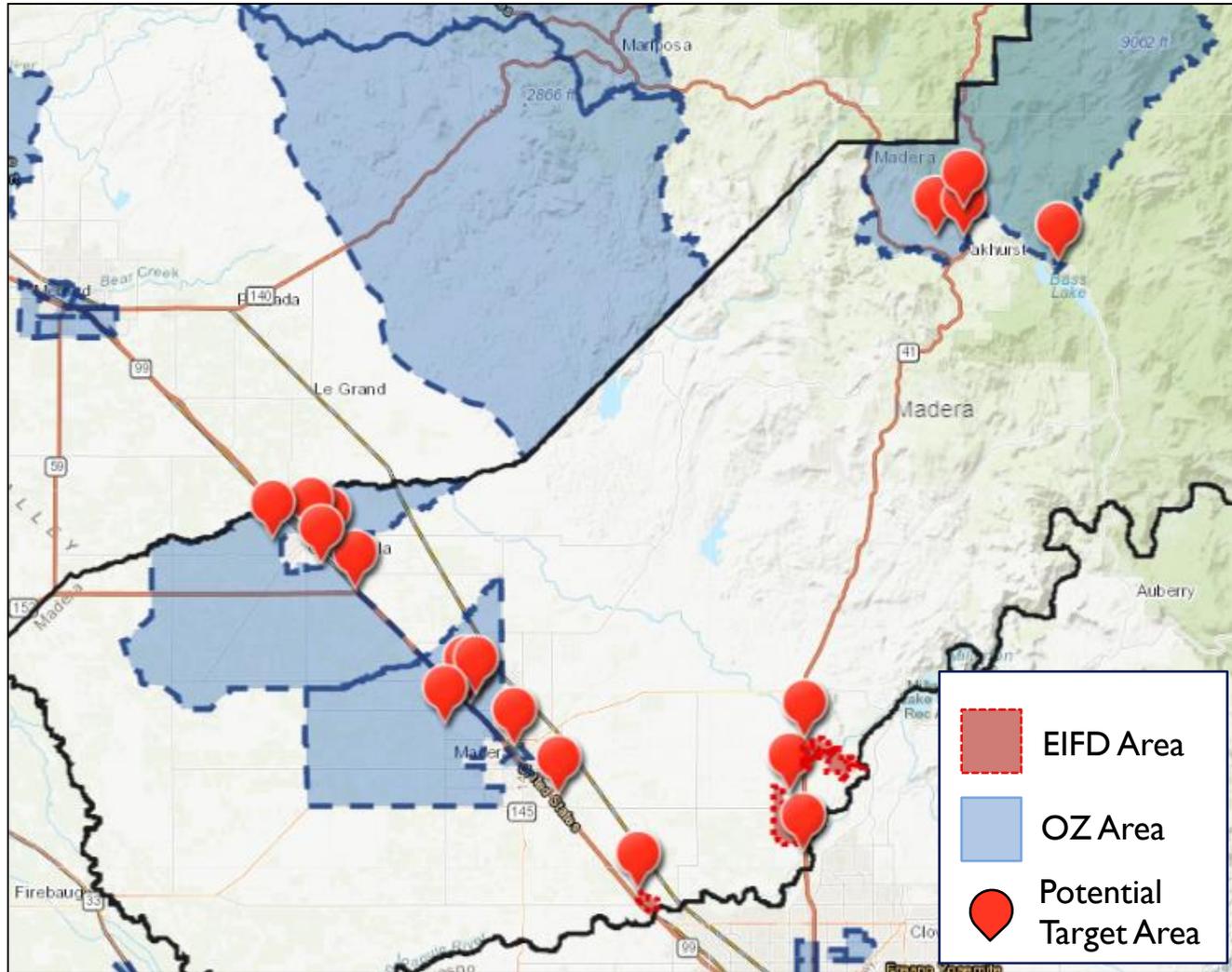
MADERA COUNTY OPPORTUNITY ZONES & EIFD AREAS

OZ Areas	
1	Chowchilla Area
2	Madera – West
3	Madera – Northeast
4	Madera – Downtown
5	Oakhurst
EIFD Areas	
A	Tesoro Viejo
B	Riverstone
C	Ave 7 / Hwy 99 *

Madera County has five Opportunity Zone designated census tracts and three EIFD areas.

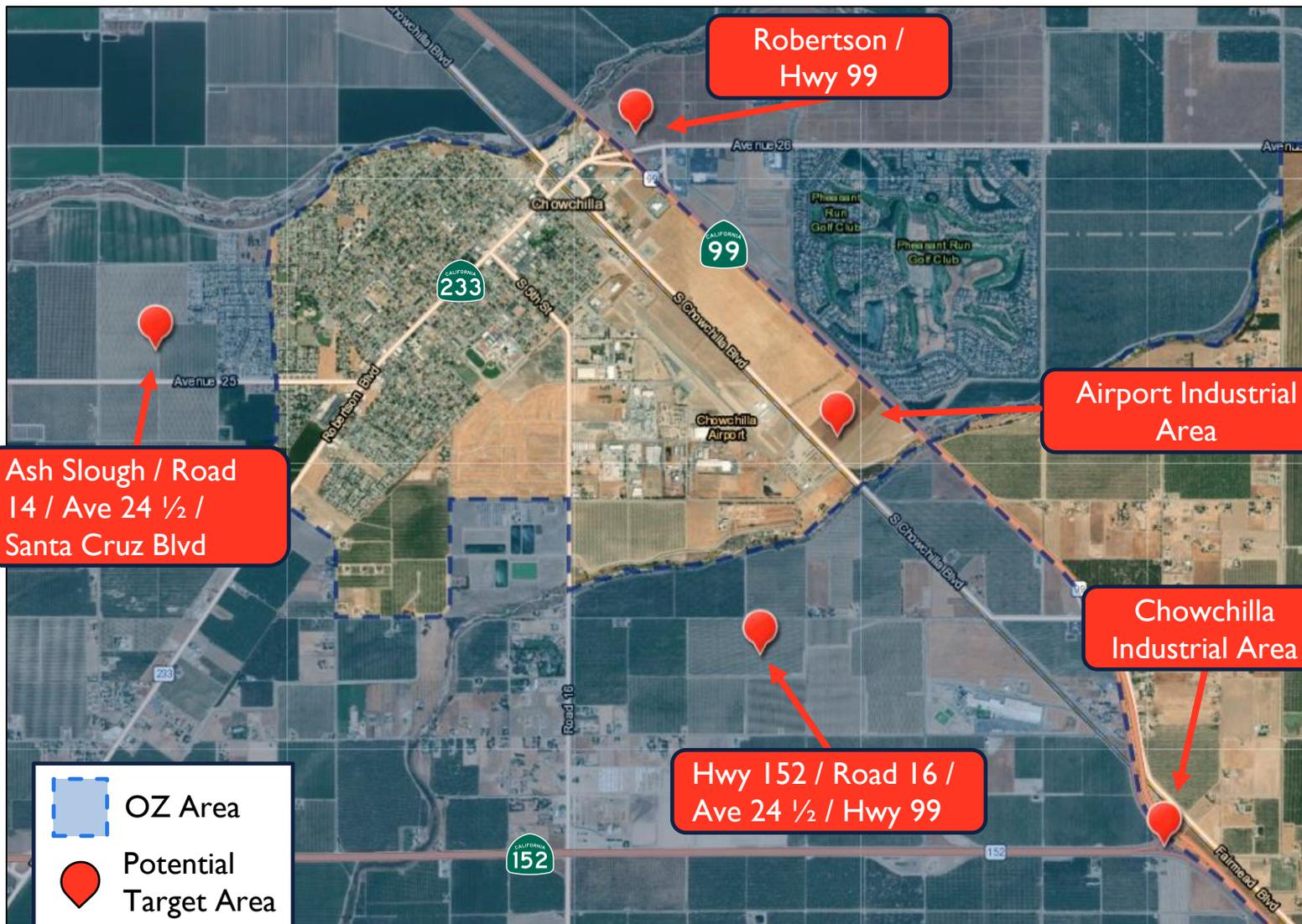
These areas do not overlap.

Madera County OZs & EIFDs



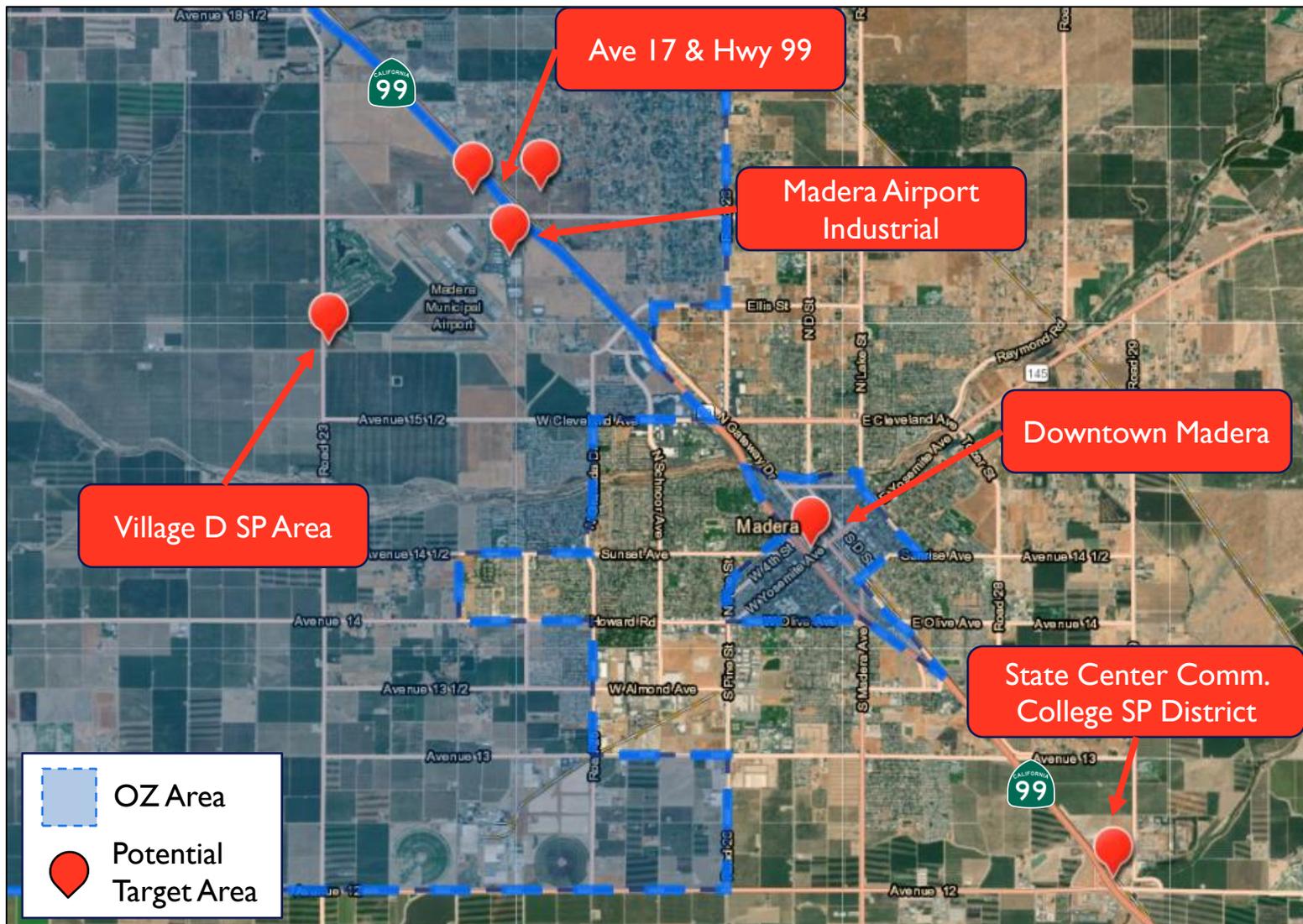
**MADERA COUNTY
OPPORTUNITY ZONES,
CURRENT EIFDs, &
POTENTIAL TARGET
AREAS**

CHOWCHILLA AREA POTENTIAL PRIORITY AREAS



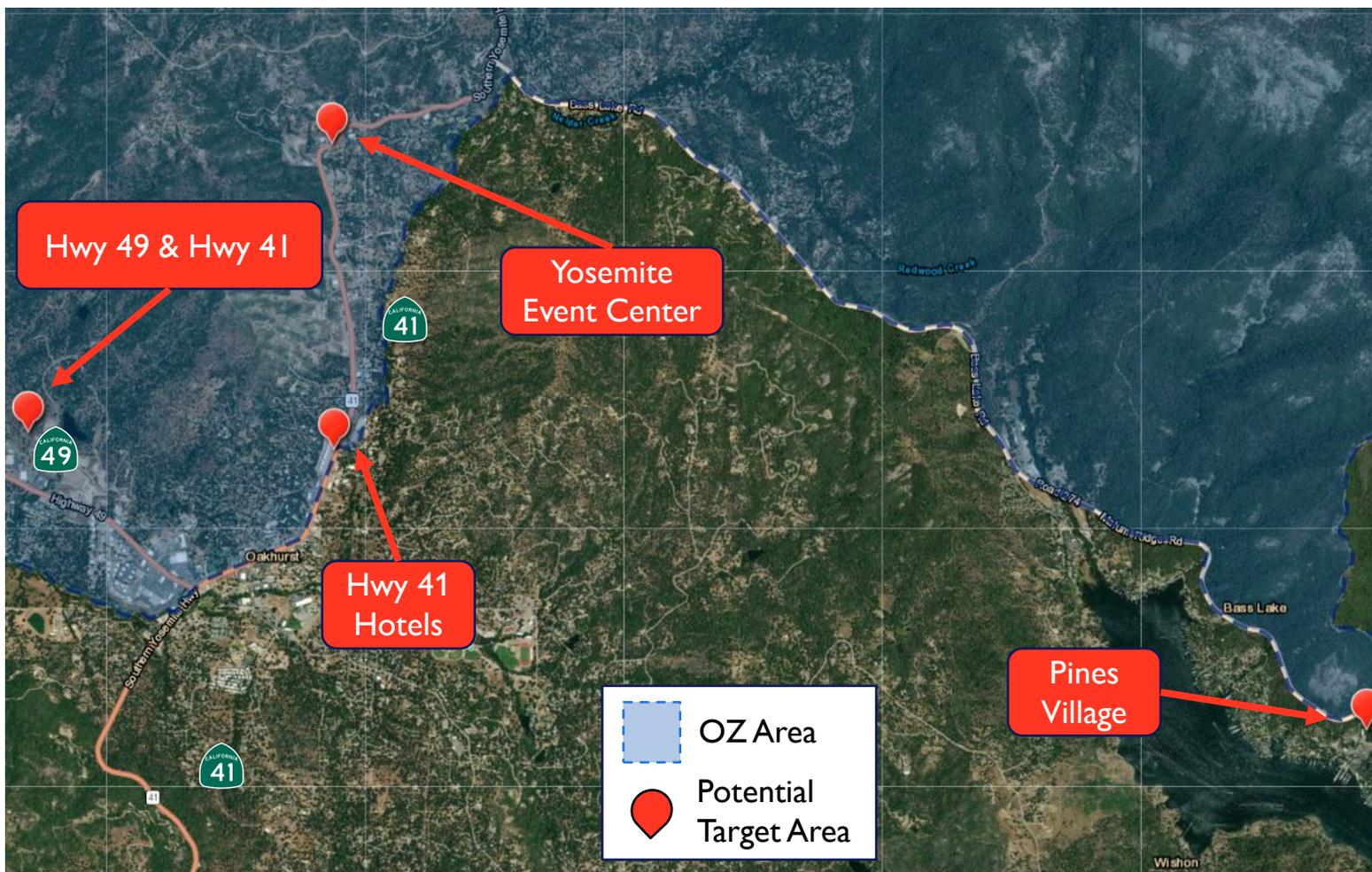
Area	Description	OZ
Robertson / Hwy 99	Proposed planned community	X
Ash Slough / Road 14 / Ave 24 ½ / Santa Cruz Blvd	designated residential, schools, neighborhood commercial; 200 SFD units	X
Hwy 152 / Road 16 / Ave 24½ / Hwy 99	Industrial development potential	X
Airport Industrial Area	Warehousing & Logistics; Equip. & Machinery, Construction	
Chowchilla Industrial Area	Hwy 152 & 99 2,000 acres of industrial / commercial property	X

MADERA AREA POTENTIAL PRIORITY AREAS



Area	Description	OZ
Ave 17 & Hwy 99	Commercial & industrial; proposed casino	X
Madera Airport Industrial	Agriculture, logistics, equipment & machinery, construction	X
Village D SP Area	Mixed-use: residential, industrial, parks, public facilities	X
Downtown Madera	Commercial, residential	X
State Center Comm. College SP District	Campus; planned residential, commercial, office, light industrial	

OAKHURST & BASS LAKE AREA POTENTIAL PRIORITY AREAS



Area	Description	OZ
Hwy 49 & Hwy 41	Proposed community college in design stage; apartment developments nearby	X
Hwy 41 Hotels	3 hotels / 500 rooms under construction; related development	X
Yosemite Event Center	Hospitality / commercial	X
Pines Village	Planned residential	

Upcoming Development Project



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Upcoming Development Project



Conclusion Larry K. Kosmont



Upcoming EIFD Legislation

SB 780

Improve the functioning /
usefulness of EIFDs and
CRIAs

- Governing board flexibility
- Allows “project areas” rather than individual districts
- Amendment process
- Other clarifications / improvements

SB 696

Modify EIFD PFA
Membership / Powers

- PFA modifications – mayor, state agency participation
- Property acquisition, eminent domain

EIFDs – A Tool for COVID Recovery

Look to the Future

Evaluate your post-COVID local economy & opportunities

Engage community on key projects & strategies (*virtual & in-person*)

Select economic development tools & priorities

Build & implement a post-COVID econ. dev. strategy

