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Show Me the Money: Financing Public Facilities in the Age of Scarcity.

In the wake of the 2011 demise of California's 400 redevelopment agencies, cities, developers, and institutions are all struggling to find new ways to fund the construction and maintenance of essential infrastructure and other public buildings and facilities. A San Francisco official recently complained to me that there are 40,000 dwelling units entitled in the city that aren't being built. He noted a variety of reasons, but a chief one for large developments is the need for massive unfunded up-front investments in infrastructure. This includes projects like Treasure Island, Park Merced, Pier 70, and Hunters Point/Candlestick. These huge developments are all reuse projects for outmoded economic and land uses that once would have benefited from tax increment financing (TIF) through the local redevelopment agency. Tax increment financing, in use in every state in the union (and many other countries), is a financial tool to bond against future general property tax revenues, based on the increased value created by the development. The governor took exception to this diversion of revenues from cities' general fund budgets. Redevelopment of course had other social and economic goals in addition to being a financing mechanism.

With the loss of TIF, other strictly financing techniques are being used, including Community Facilities Districts (also called Mello-Roos districts in California, around since 1982). CFDs, unlike TIF, are financed by bonds secured by special taxes on the benefited properties, and do not come out of the city's general fund. And unlike Redevelopment, they must be voted in by two-thirds of the property owners. A newer and more flexible financing technique, Infrastructure Financing Districts (IFD) is a cross between TIF, which diverted property tax from the general fund, and CFD, which are special taxes on the benefited properties requiring a vote of the landowners. IFDs have this same two-thirds voting threshold as CFDs, but then are able to divert property taxes from the general city revenue stream and are not a special tax.

Continue reading.

August 13, 2017 By Jim Chappell