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[California's Post-Redevelopment Tools are Getting a Test Drive.]

LOS ANGELES — California cities are beginning to figure out how to use economic tools created to fill a gap left when redevelopment agencies were dissolved in 2012.

La Verne city leaders have spent the past 18 months coming up with a plan to redevelop 100 acres into a mixed-use development involving housing, infrastructure and a parking structure for a train station on the Foothill Gold Line, a light rail extension into the San Gabriel Valley, said Larry Kosmont, founder of Kosmont Cos., a consultant on the project.

That plan uses the Enhanced Infrastructure Financing District legislation that was adopted in 2014, and further refined in 2015.

La Verne, a city of about 30,000 about 30 miles east of downtown Los Angeles, is among the first cities to create such an improvement district.

It took La Verne 18 months to come up with an infrastructure financing plan, Kosmont said. The city went to Los Angeles County with the idea of improving the area around the proposed transit station. The county owns the nearby Los Angeles County Fairgrounds and Brackett Field Airport. The county, which doesn't have an EIFD process, hasn't decided whether to join, Kosmont said, but participants can decide to contribute their money at a later date, he said.

The city made a decision to move ahead with its own share and activated the EIFD as of Oct. 30. Making the decision to do it now enables the city to set a baseline for tax increment for the tax rolls in 2018.

"The county is still reviewing," Kosmont said. "I hope they will come in next year."

The new light rail line is key to the plan. The Los Angeles County Metropolitan Transportation Authority has a groundbreaking ceremony planned Dec. 2 for the $1.5 billion Foothill extension. Metro issued Nov. 8 the request for qualifications for the 12.3-mile project that will add six new light rail stations in Glendora, San Dimas, La Verne, Pomona, Claremont and Montclair.

The debate in Congress over the future of private activity bonds could make things harder for the city; the GOP tax bill in the House of Representatives would eliminate them, while a Senate Republican plan keeps them.

The elimination of PABs won't stop the project, but it takes away another avenue to encourage public-private partnerships in the state, Kosmont said.

The infrastructure La Verne is building would be funded with public money generated by the tax increment the district generates.

Any potential EIFD bonds wouldn't be affected, but Kosmont said the elimination of PABs could make it hard to do a public-private project on the parking structure next to the transit station, because it would then have to be funded with taxable bonds or as a stand-alone parking bond. The parking structure for the district isn't likely to be constructed for a couple of years, because rail line construction has to be completed first.

Gov. Jerry Brown signed legislation eliminating some 400-plus redevelopment agencies in 2011. Prior to that, cities and counties could use tax increment financing – the increase in tax revenues generated by new development – to repay bonds issued to finance development and infrastructure in project areas deemed "blighted." The RDAs were also required to set aside 20% for affordable housing.

Two laws passed in 2015 sought to restore some of the economic tools used by the former RDAs. The laws allow cities, counties and special districts to form EIFDs under specific circumstances. Once the districts are formed, local government can use tax increment to finance infrastructure improvements.

The initial EIFD statute, Senate Bill 628 was passed in 2014. Assembly Bill 313 approved in 2015 added refinements.

EIFDs are separate government entities, formed through a joint powers authority consisting of cooperating cities, counties, and special districts. They can finance traditional public works, such as transportation, transit, parks and libraries, water and sewer facilities, solid waste disposal, and flood control and drainage.

A primary difference between EIFDs and the former redevelopment agencies is the new districts can't just capture all the tax increment created with new development. The district's authority can designate its own tax increment, but it then has to ask other municipalities in the district if they would like to contribute their increment to the project.

That authority has to create an infrastructure financing plan that will attract private investment and reduce the carbon footprint, Kosmont said.

The authority establishes a boundary and identifies infrastructure improvements that could occur over the next 45 years. The La Verne project involves the creation of three new districts on 110 acres in the city's downtown area, two adjacent to the rail station, and one bracket near the airport.

La Verne's financing plan has a 10-year outlook horizon that determines how much tax increment will be generated from new development, Kosmont said.

Improvements planned around the Gold Line station include sustainable water and utility projects and a parking garage. The city rezoned a number of properties around the transit station to build affordable housing and other amenities by working with private developers, Kosmont said.

Voter approval is not required to form an EIFD, but there is a 55% requirement to authorize bonds. Where an IFD makes the tax increment available for up to 30 years, the EIFD extends that timeline to 45 years.

"I am calling EIFDs sustainability and housing districts, because they are used for sustainable infrastructure," Kosmont said.

Another difference between redevelopment agencies and EIFDs is that a blight study is not required, but an infrastructure plan is, Kosmont said. The former redevelopment districts had to be created in blighted areas as they were designed to bring economic development to areas unable to attract new projects – and also to provide funding for and encourage affordable housing development.

When Brown pushed to eliminate redevelopment agencies, the governor's argument was that they were taking away money needed for school districts.

"The school district tax increment is not eligible to be part of EIFDs, as they were with redevelopment agencies," Kosmont said.

"That wipes out 50 cents on the dollar," he said. "It's why RDAs were so powerful. They took everyone's increment and used it for redevelopment. The RDAs came into the sandbox and took everyone's toys. The EIFDs come into the sandbox with their toys, and then ask if they can share everyone else's toys."

The districts can include brownfield restoration and other environmental mitigation; affordable housing development, and transit-oriented development.

Even as cities are beginning to figure out how to use EIFDs, two candidates for governor – California Treasurer John Chiang and former Los Angeles Mayor Antonio Villaraigosa are talking about bringing back redevelopment agencies if they are elected.

"I believe that more tools to facilitate development and redevelopment are better than less, particularly in Los Angeles as the region is preparing for the Olympics, addressing the evolution of mobility and catching up with years of deferred infrastructure projects," said Timothy Reimers, a principal with Polsinelli, a law firm.

The Bond Buyer

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