
Los Angeles Looks at New 'Infrastructure District' to Fund River Plans.

Los Angeles leaders are hoping to use a new tax-sharing law to help finance ambitious plans to transform the city's namesake river into a ribbon of recreational areas and vibrant new developments.

As of Jan. 1, local officials have the authority to direct a greater share of future property taxes to revitalization efforts, public works projects and environmental cleanup. The law is intended to replace some of the billions of dollars cities lost when Gov. Jerry Brown and the Legislature shut down more than 400 redevelopment agencies during the recession-driven budget crisis.

L.A. officials wasted no time, taking initial steps last week toward creating what is believed to be the state's first Enhanced Infrastructure Financing District. At a City Hall hearing, council members voiced eagerness to explore the steps needed to form a district and ordered a detailed report, due back in 45 days.

Councilman Mitch O'Farrell, who asked for the analysis, said the city's first infrastructure district would be focused on projects to restore and improve a 31-mile portion of the Los Angeles River.

Revitalizing the river is one of Mayor Eric Garcetti's top initiatives, and the city got a boost last year when the Army Corps of Engineers agreed to a $1-billion restoration plan. But the city has been trying to come up with its share of funding. Retaining more property taxes within the city is one possibility, O'Farrell said this week.

"I've been chomping at the bit for the better part of a decade to identify a permanent source of revenue for improvements along the river," he said. "And tax-increment financing can be a very good vehicle for that."

The L.A. River is an example of what municipal analysts say could be a wave of new and stalled economic development projects that could gain momentum as a result of the state's tax-sharing law.

In addition to public works projects, the infrastructure districts can be used to remake former military bases, rehabilitate private industrial buildings and leverage transit-oriented development, said Jon E. Goetz, a San Luis Obispo attorney who specializes in municipal law. Unlike those of the now-defunct redevelopment agencies, qualifying projects and districts don't have to be in blighted areas, he said.

"Redevelopment was a power tool, and this is more like a hand tool," he said. "It's not as powerful, but with creativity it can be used for economic development, for infrastructure and for affordable housing."

Taxpayer groups opposed the infrastructure district legislation because it permits local jurisdictions to create the zones without a vote of affected property owners. They also objected to a 55% voter-approval requirement to issue bonds and raise money for the districts. Many other tax-related measures require a two-thirds majority of voters to become law.

Diverting more property tax dollars to capital projects would shrink money available for ongoing services, such as public safety and paving roads, which in turn would “drive the demand for higher local taxes,” the California Taxpayers Assn. said in a letter outlining its concerns.

There are key differences between the new law and legislation that created redevelopment agencies more than 60 years ago. Those entities, mostly run by cities, were empowered to capture virtually all property tax growth in designated, blighted areas. That cost counties, schools and special districts billions.

Critics and warring local officials accused the agencies of stretching the definition of “blighted” to siphon away needed property tax dollars.

Under the new law, property taxes going to schools can’t be diverted to the infrastructure districts. And dollars allotted for counties or special districts would be redirected to the new districts only if all the affected agencies agree.

Los Angeles County Supervisor Hilda Solis, who represents areas northeast of downtown where the initial river projects are envisioned, said she strongly backs the revitalization effort. But city leaders will have to convince the county to part with a portion of its future property tax collections, she said.

“There will have to be a good case for that,” she said.

Before their 2012 dissolution, California redevelopment agencies received more than $5 billion in property tax revenue annually. In Los Angeles County, cities shared about one-third of that through their redevelopment agencies.

The new funding zones are expected to raise a fraction of that. On average in Los Angeles County, the infrastructure districts could collect close to 60% of what redevelopment agencies were able to capture in designated areas, said Tom Sakai, a local government consultant. But the share would be significantly less if counties and special districts declined to participate, analysts say.

Goetz and others say local governments may look favorably on the potential of infrastructure districts, despite the limitations.

“It does force more cooperation between layers of government, particularly between the city and county,” he said. “And it forces local governments and developers to put their heads together and come up with plans to benefit everyone.”

O’Farrell’s staff said his office hasn’t yet done a revenue projection or identified what L.A. River projects would be included. But an estimated $1 billion worth of improvements have been listed in the city’s master revitalization plan, including widening bridges, restoring wetlands, cleaning up industrial waste and acquiring privately held parcels.

Lawmaker support in the council’s Arts, Parks, Health, Aging and River Committee, where creation of a infrastructure district was discussed, was generally strong.

But there could be fights ahead over how to use any windfall of tax money. As rents climb, Councilman Gil Cedillo signaled he would like some of the money earmarked for affordable housing.

“It’s great to talk about how great the river can be,” he said. “I’ve got four of the six major projects in my district. But I’m concerned that we would be doing river work in lieu of housing.”

BY CATHERINE SAILLANT – LOS ANGELES TIMES / JANUARY 19, 2015

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