



***Presentation to***  
***California Community Economic Development Association***  
***EIFDs: A New Funding Source?***

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**by:**

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# Economic Development 2.0

Today, Economic Development for Cities is about:



# How do the Pieces Fit Together?

## The Problems:

- Greenhouse Gas Emissions (GHGs)
- Drought
- Climate Change
- Insufficient regional transportation
- Aging Infrastructure
  - Water transportation infrastructure
  - Sewer infrastructure
  - Electric & utility plants
- New Infrastructure Needed
  - For shift to multifamily housing
  - Transit-Oriented Development in designated high-quality transit areas (HQTAs)



# ED Approach By Cities – Legislative Direction

## **Economic Development** *New Revenues and Jobs*

## **Successful** **Post-RDA Projects**

## **Sustainable Policy** *Compliance*

### **SB 628 (Beall) & AB 313 (Atkins)**

Enhanced Infrastructure Financing Districts

### **SB 614 (Wolk) & AB 229 (Perez)**

Special Districts Annex Area and Former Military Bases for Infrastructure Financing & Revitalization

### **AB 229 (Perez)**

Infrastructure and Revitalization Financing Districts on Former Military Bases

### **SB 743 (Steinberg)**

CEQA: Environmental Quality Streamlining for TOD / Infill Dev.

### **AB 850 (Nazarian)**

Financing Public Capital Facilities: Water Quality

### **AB 1471 (Proposition 1; Rendon)**

Financing Water Quality, Supply & Infrastructure Improvement: Bond Issuance

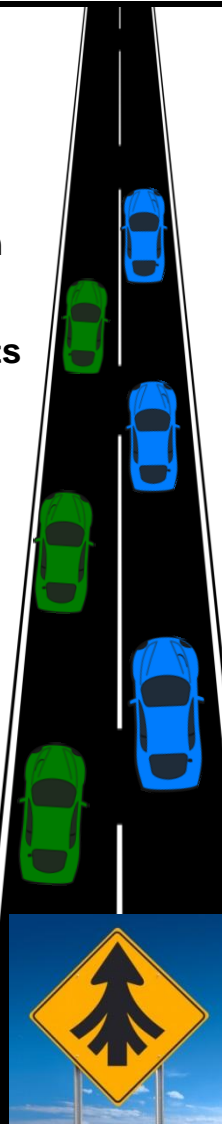
### **AB 2660 (Aguiar)**

Infrastructure Financing Act: User Fees and P3s

### **AB 2 (Alejo)**

Community Revitalization Authority

### **Local & Regional Infrastructure**



### **AB 32 (Perez)**

Cap and Trade: Community Development Investment Tax Credits

### **SB 375 (Steinberg)**

GHG Emissions Reductions: Sustainable Communities Strategy

### **SB 1168 (Pavley)**

Groundwater Sustainability Agency & Plan: High- and Medium-Priority Basins

### **AB 1739 (Dickinson)**

Groundwater Management: Sustainability Plan & Extraction Reporting

### **SB 535 (De Leon)**

Greenhouse Gas Reduction Fund: Benefits to Disadvantaged Communities

### **SB 350 (De Leon & Leno)**

Accelerated emissions standards including required energy reduction for buildings

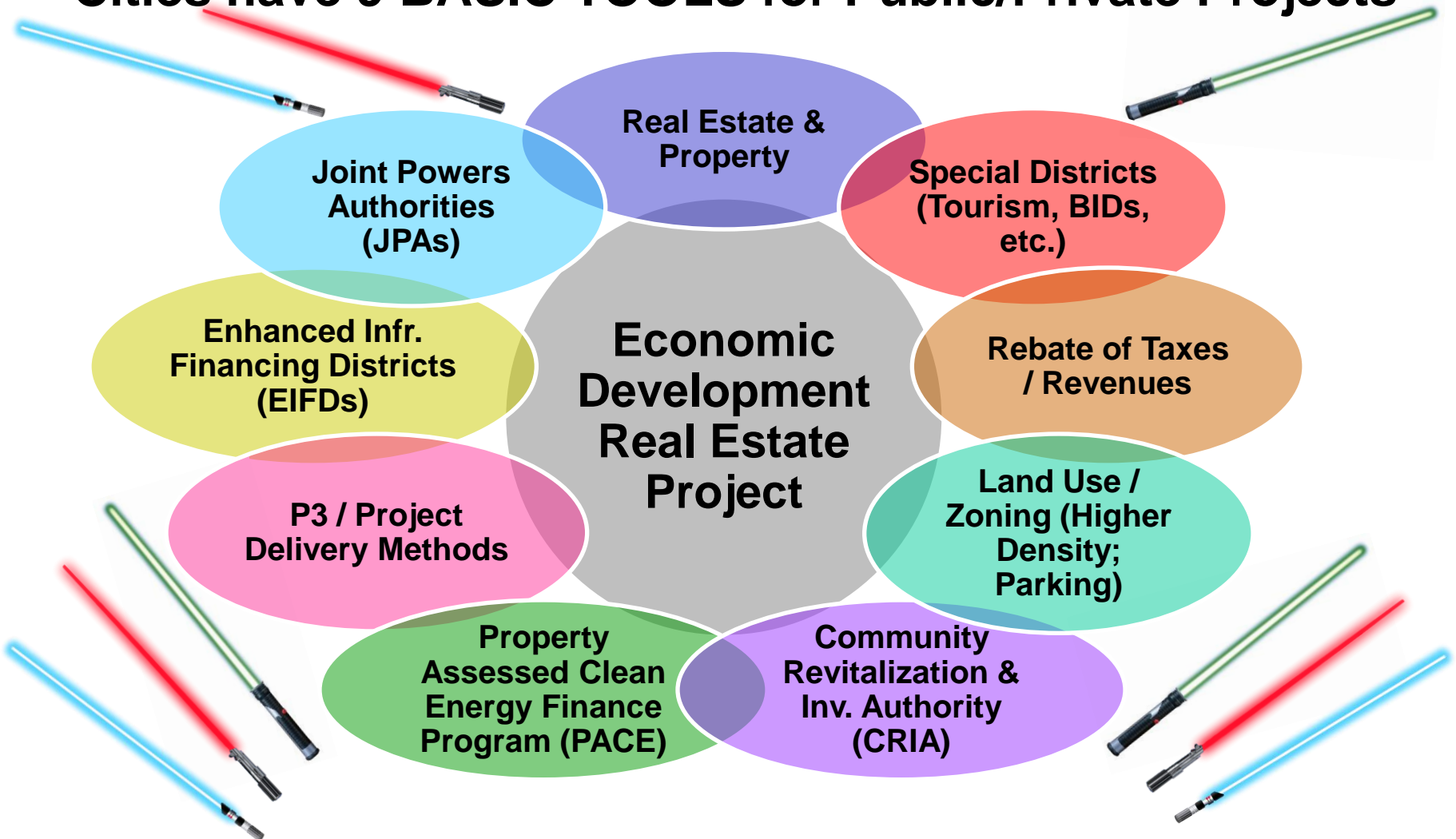
### **SB 32 (Pavley)**

Statewide GHG emission limits accelerated

### **Regional Sustainability**

# Post-RDA Economic Development

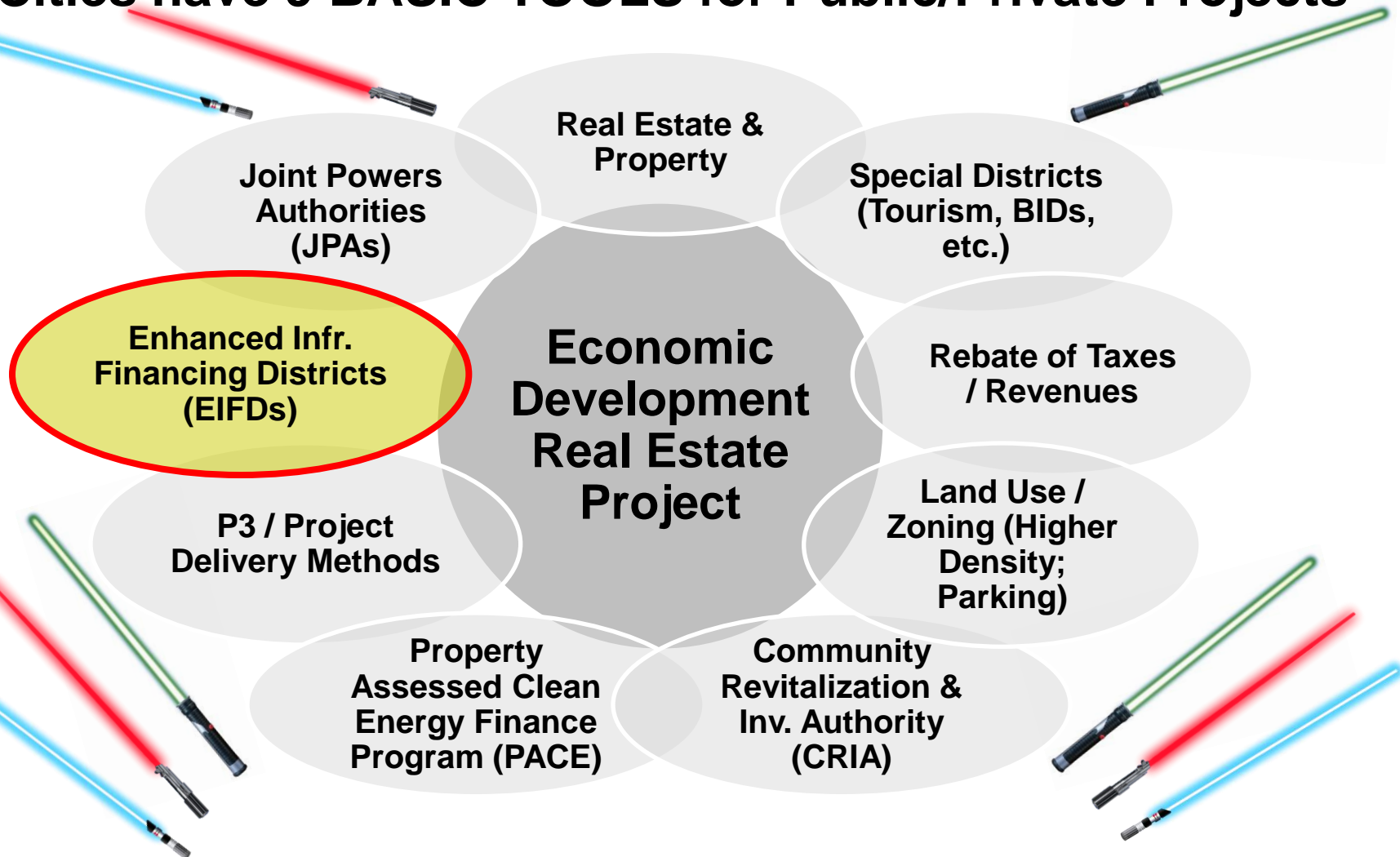
Cities have 9 BASIC TOOLS for Public/Private Projects



*These tools often work best when used together*

# Post-RDA Economic Development

Cities have 9 BASIC TOOLS for Public/Private Projects



*These tools often work best when used together*

# New Tool: Enhanced Infrastructure Financing Districts

- **New legislation push cities to create local/regional infrastructure projects that conserve water & reduce GHG emissions**
  - SB 375 sets baseline for streamlined environmental review for projects that improve local and regional sustainability
  - Cap-and-trade grant funds (GRGF) reward projects that reduce GHG emissions with billions in potential funds
  - Prop 1 contains over \$7.5 billion in water infrastructure project funds
- *EIFDs can finance implementation of regional infrastructure via Public Financing Authority which uses property tax increment in tandem with a variety of funding sources for project incentives*



# Applications of EIFD

**Generally, EIFD is useful in 2 circumstances:**

## **1. As a replacement to redevelopment**

- City is interested in revitalizing an area through Tax Increment Financing (TIF); can include City and County property tax share as well as revenues pledged by special districts

## **2. In development-driven scenarios**

- Developer is interested in pursuing project; can use EIFD to help finance necessary infrastructure



**Example of Case #1**



**Example of Case #2**

# Types of Projects EIFDs Can Fund



**Industrial Structures**



**Aff. Housing / Mixed Use**



**TOD Projects**



**Wastewater/Groundwater**



**Light / High Speed Rail**



**Civic Infrastructure**



**Parks & Open Space**



**Childcare Facilities**



**Brownfield Remediation**

# EIFD - Summary of Key Terms

## 1. Enhanced Infrastructure Financing District

- Governmental entity established by a city or county that carries out a plan within a defined area to construct, improve and rehabilitate infrastructure



## 2. Public Financing Authority (PFA)

- Legislative body that governs the EIFD
- Composed of participating governments and members of the public



## 3. Infrastructure Financing Plan

- Plan adopted by city or county. Describes public facilities & development to be financed by the EIFD
- Implemented by Public Financing Authority (PFA)

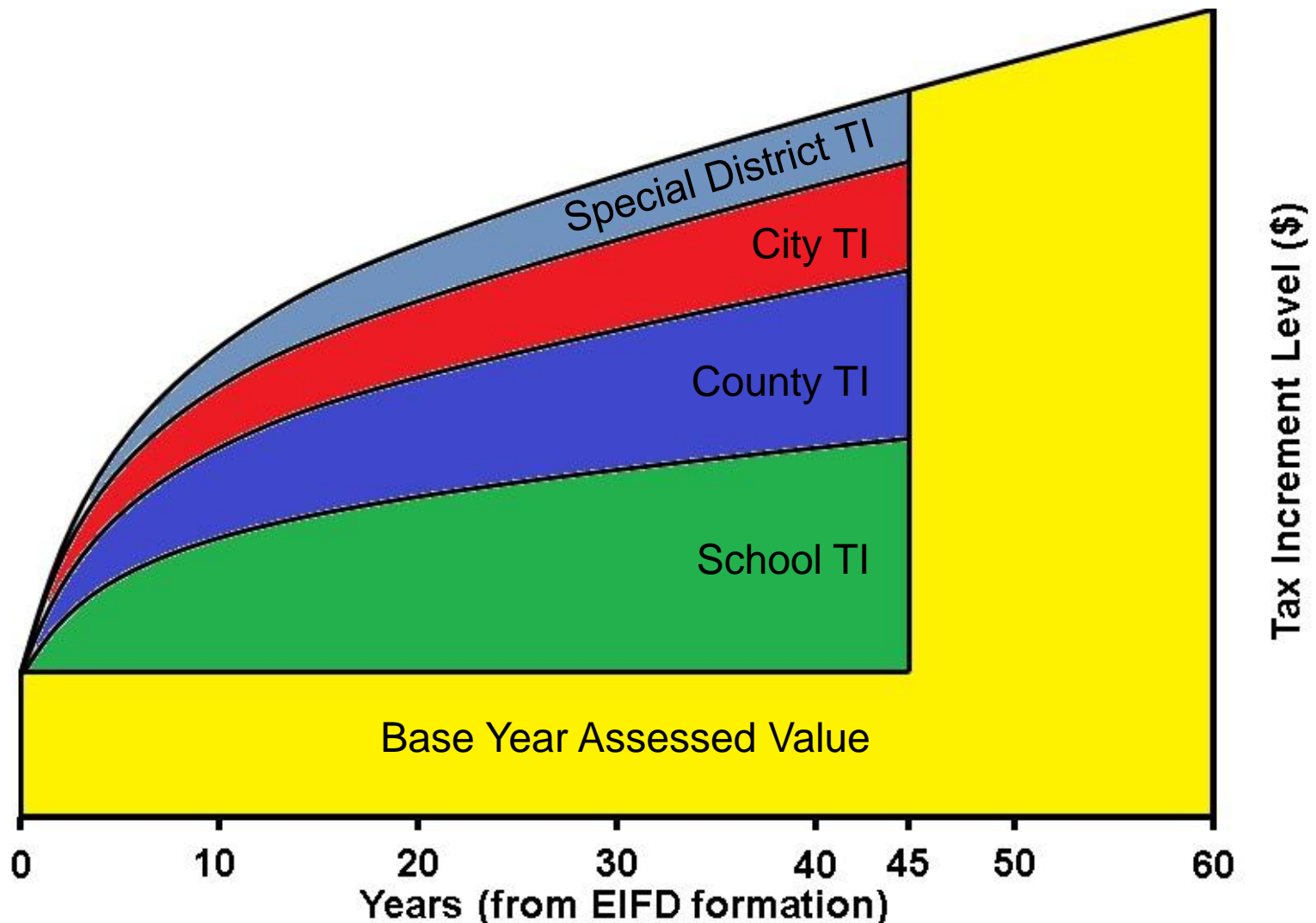


# EIFDs – Diverse Funding Approach

- Can use multiple funding sources with tax increment
  - *If Bond Issuance then 55% voter approval required*
- **Potential to apply State funding sources:**
  - Proposition 1 bond funds
  - Cap-and-trade proceeds
- **Federal & State Grants**
  - Greenhouse Gas Reduction Funds
  - Federal DOT/EPA/DOE funding programs
- **Other Funding Sources:**
  - Property tax revenue including RPTTF
  - Vehicle License Fee (VLF) prop. tax backfill increment
  - Development Agreement / Impact Fees
  - User fees
  - City / county / special district loans
  - Hotel TOT
  - Benefit assessments
    - Contribution from Special District
    - Levied by EIFD
  - Private investment



# EIFD Tax Increment



# EIFD Formation – Items to Consider

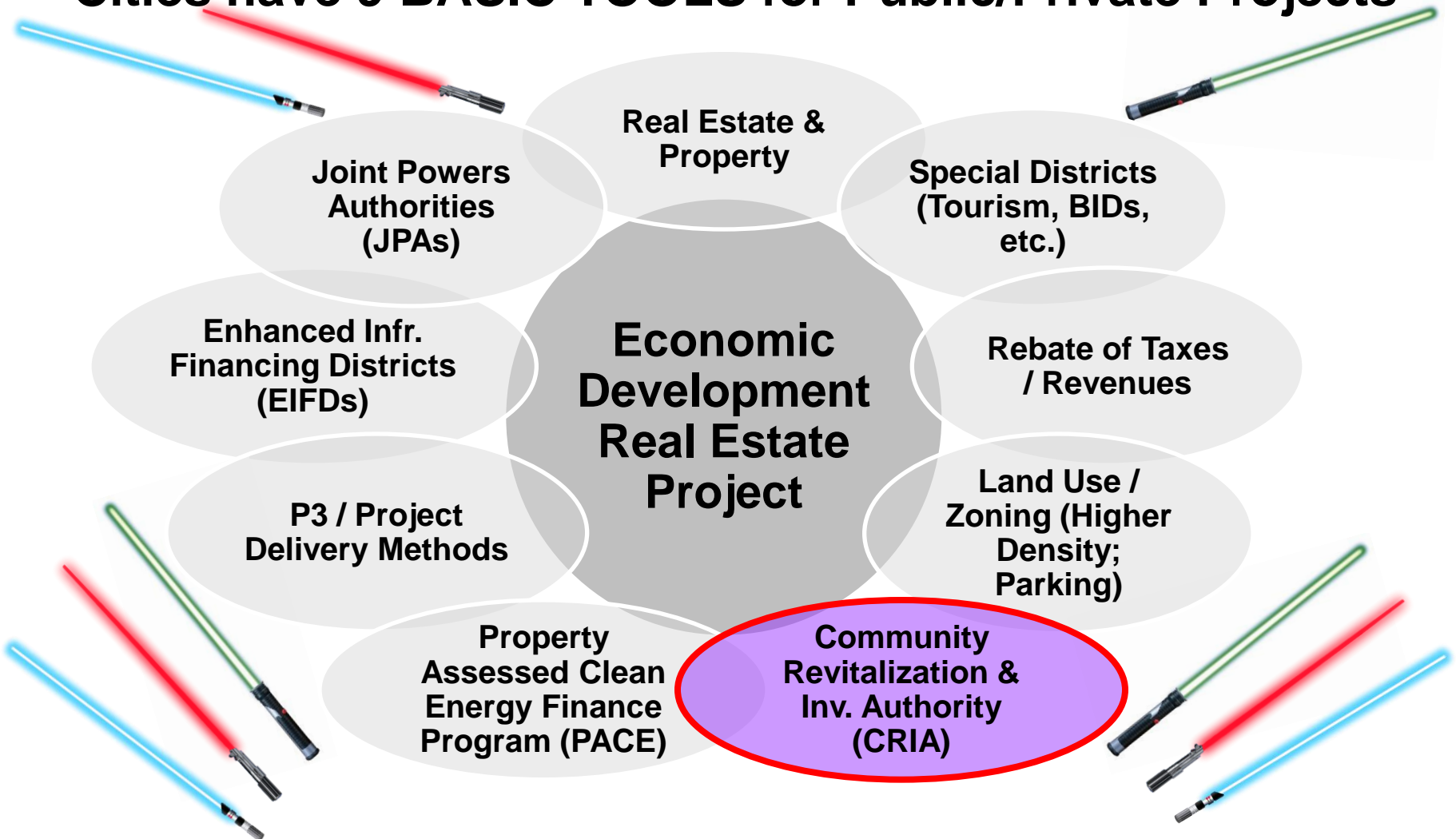
- At formation, EIFD has ZERO revenues and initial tax increment is minimal
- Start-up capital; Early funding sources should be explored/identified
  1. RPTTF Pledge
  2. Bond Anticipation Note
  3. CFD + EIFD Pledge
  4. Note from City / Other Source
- When is money for infrastructure needed?
- Identify Private Sector projects that can serve as Joint Venture relationships
- Bring value add public agency collaborators early (Districts, County)

**SHOW ME THE MONEY!**



# Post-RDA Economic Development

Cities have 9 BASIC TOOLS for Public/Private Projects



*These tools often work best when used together*

# RDA Approved Legislation

- **AB 2 (Alejo) “Community Revitalization Investment Authority (CRIA)”**
  - Signed into Law by Governor Brown in September, 2015
    - Goes into effect on January 1, 2015
  - Restores redevelopment authorities to disadvantaged communities
    - Carries out provisions of Community Redevelopment Law
  - Authorizes establishment of Community Revitalization & Investment Authorities as long as project area meets 4 necessary conditions
  - Allows projects to be financed by bonds serviced by tax increment
    - 30 years to issue debt; 45 years to repay indebtedness
  - Can fund projects for economic revitalization in disadvantaged communities
  - Powers of eminent domain granted to CRIAs for first 12 years of district



# AB 2 Eligibility

- Conditions of a Community Revitalization Area:

- 80% of land (calculated by census tracts) must have median household income less than 80% of statewide annual median income average
- Must exhibit at least three of the following conditions:
  1. Non-seasonal unemployment rate 3% higher than statewide median
  2. Crime rates are 5% higher than statewide median
  3. Deteriorated or inadequate infrastructure
  4. Deteriorated commercial or residential structures
- 25% affordable housing requirement



# Who Can Form a CRIA?

- Two ways to form a CRIA:

- (1) a city, county, or city and county; administered by a five-member board; or
- (2) a city, county, or special district, or any combination of those local governments (joint powers agreement); administered by members of the public agencies that created the authority.
- In both cases, the body must include at least two members of the public who live or work in the area.
- A city, county, or city and county that has received a Finding of Completion from DOF and whose successor agency has complied with all orders of the Controller may form the CRIA



# *Types of Projects CRIAs Can Fund*



**Wastewater/Groundwater**



**Roads / Circulatory Inf.**



**Civic Infrastructure**



**Assist Businesses**



**Affordable Housing**

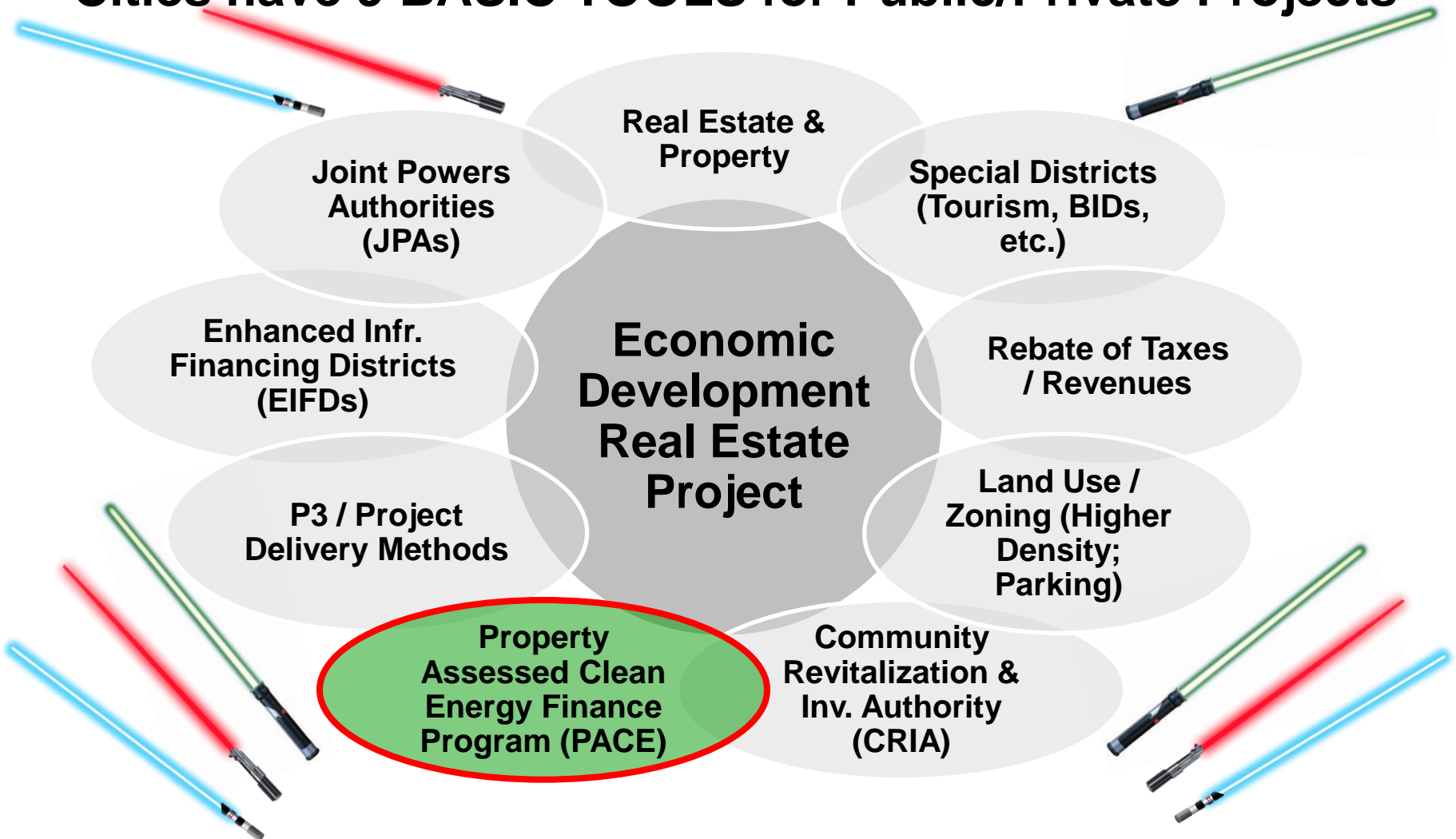


**Brownfield Remediation**

**Generally CRIAs can fund economic revitalization in disadvantaged communities**

# Post-RDA Economic Development

Cities have 9 BASIC TOOLS for Public/Private Projects



*These tools often work best when used together*

# Commercial PACE as an Econ. Dev 2.0 Tool

## What is Commercial PACE?

- **Property Assessed Clean Energy (PACE)** finance programs allow property owners to finance energy improvements on residential and commercial properties and repay the cost as part of property tax bill.
- **Commercial PACE** loans permit lenders to benefit from security of a senior tax lien.
- Lenders participate in program by purchasing a privately placed bond secured by a contractual tax assessment with senior position.

## Eligible Improvements

### Energy efficiency

- HVAC/ chillers/ boilers
- Building automation
- Occupancy and daylight sensors

### Water efficiency

- Low flow toilets and urinals
- Smart irrigation systems

### Renewable energy

- Solar Panels/ solar hot water
- Fuel cells

### Seismic Retrofit



**PACE Investor**  
Provides capital  
for project



**City/County**  
Authorizes Program



**Property Owner**  
Completes project & repays  
through property tax bill

# Demand for Energy Efficiency Solutions

## Why the Need for PACE?

- ☐ Greenhouse Gas Emissions (GHGS)
- ☐ Climate change; Drought
- ☐ Aging infrastructure and facilities
- ☐ Key Legislation Enforcing Clean Energy Standards
  - **AB 32: Mandatory 15% reduction in GHG emissions by 2020**
  - **SB 350: Sets new energy and climate policy in CA – ZNE Goals**
    - Double energy efficiency of existing buildings over 50k sq. ft.
    - 50% of power to come from renewable energy sources
- ☐ Job creation always a concern
- ☐ Lack of education and awareness
- ☐ Lack of accessible low cost financing

## What are California's ZNE goals?



# Types of Improvements PACE Can Fund



**Controls & Sensors**



**Elevator Modernizations**



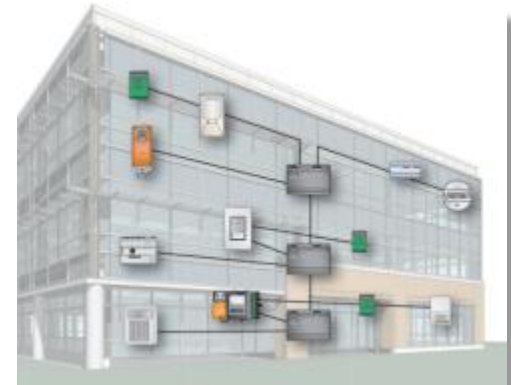
**LED Lighting Retrofits**



**HVAC System Upgrades**



**Solar Projects**



**Building Automation**

# Commercial PACE: Community Benefits

## Community Benefits

- ✓ **Support local businesses and create jobs**
- ✓ **Increase property and sales tax revenue**
- ✓ **Assists in business retention and expansion**
- ✓ **PACE provides long-term financing for property owners**
- ✓ **Helps improve appearance and energy usage of aging building stock**
- ✓ **PACE-financed retrofits increase a building's market value through:**
  - **Increased occupancy and rental rates**
  - **Reduced energy costs thus increasing NOI**



## Regulatory Compliance

- ✓ **Attract workers and families**
- ✓ **Improve a community's "green" reputation**
- ✓ **No burden to general fund or borrowing capacity**
- ✓ **Energy-efficient buildings have reduced carbon footprints**
- ✓ **Helps City meet MANDATED clean energy requirements (SB 350 by 2030)**



# Commercial PACE: Private Sector Benefits

## Challenges Building Owners Face:

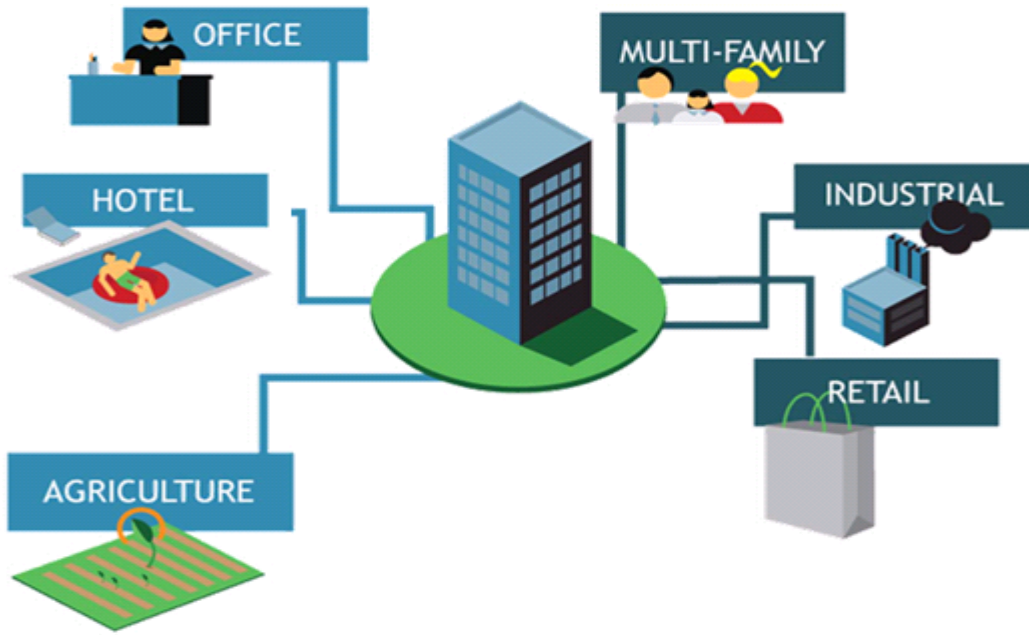
- Energy Compliance Requirements
- Lack of Capital
- Budgetary Limits
- Unable to qualify for Traditional Financing
- Increasing Maintenance & Utility Costs
- Aging Facilities



## Solutions Provided by PACE

- No ADDITIONAL Debt Load
- Financing paid back TWICE a year through Property Tax
- PACE funds up to 100% of installed project costs
- Increases Building Value
- Improve Net Operating Income (NOI) by reducing O&M
- DOES NOT adversely affect organization's balance sheet
- PACE Assessment is a "pass-through" to tenants under most leases as Common Area Maintenance (CAM) charges
- No RECOURSE to ownership and Fully Transferrable

# Eligible Property and Improvement Types



## Ideal Candidates for PACE

- ✓ Old buildings in need of major upgrades
- ✓ Portfolios of properties with single owner
- ✓ Properties with no mortgage or low LTV
- ✓ Potential contractual (lease/loan) or environmental requirements



HVAC Upgrades



Solar Projects



Building Automation



Seismic Retrofits



Controls & Sensors



Elevator Modernizations



LED Lighting Retrofits



Water Conservation

# PACE Fiscal Impact Statistics

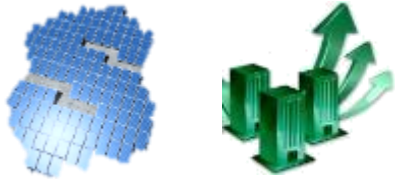


- ❑ ACEEE estimates 17 direct jobs and two indirect are created for every \$1 million financed by PACE Programs



- ❑ Recent empirical studies by Global Real Estate Sustainability Benchmark Survey demonstrate that energy efficient commercial buildings with green attributes have:

- ✓ Higher resale value (2-17%)
- ✓ Higher rental rates (5.8-35%)
- ✓ Higher occupancy rates (0.9-18%)
- ✓ Lower operating expenses (30%)
- ✓ Higher NOI (5.9%)
- ✓ Productivity gains (4.8%)



## Energy Compliance Is The New Economic Development Accelerator



**IF YOUR CITY OR COUNTY HASN'T ADOPTED A PACE PROGRAM YET THEN WHAT'S THE HOLD UP?**

# Promoting Commercial PACE

- **Step 1:** Adopt a Commercial PACE enabling resolution which allows all loan providers access to the Community
- **Step 2:** Develop Commercial PACE Outreach Program to jump start participation by engaging property owners and major tenants.

## Why market Commercial PACE?

- Municipalities achieve sustainability, job creation, growth property & sales tax
- Shift communities toward regulatory compliance (SB 350)
- Provides startup program for Enhanced Infrastructure Financing Districts (EIFD) and Community Revitalization and Investment Authorities (CRIA)



# Successful Post-RDA Case Studies



# Case Study: La Verne EIFD

- **The Site**

- 388+ acres adjacent to La Verne's Old Town Specific Plan Area
- Located proximate to the University of La Verne, Fairplex properties & future Foothill Gold Line Station

- **The Project**

- Station area improvements, circulation infrastructure improvements next to Gold Line
- Development of housing, potential hotel, retail and event space
- Sustainable improvements to commercial and industrial structures, partnerships with the University of La Verne/Fairplex, airport improvements for Brackett Field

- **Status**

- EIFD under evaluation by City of La Verne as lead public agency
- **Goals for La Verne EIFD**
  - *Induce development around future TOD infrastructure*
  - *Access to Statewide sustainable funding sources such as Greenhouse Gas Reduction Fund (GGRF) & utilize commercial PACE to increase property values, increment for district & sustainability compliance*
  - *Induce private development via development agreements that compliment existing City plans and anticipate future demand from TOD*

# Infrastructure Around the Gold Line Station



Parking Infrastructure



Rail Station  
Improvements



Improvements for increased  
Pedestrian Access to Rail Station

- **Parking:** The Old Town La Verne Specific Plan parking needs assessment identifies average need for approximately 1,225 parking spaces in Arrow Corridor on a Saturday in a typical month. Potential demand could peak at about 1,760 spaces per day during peak holiday season.
- Plan calls for four future parking structures at buildout, including a 600-space structure at the Gold Line Station. If built out, these parking structures could provide up to 2,015 spaces.
- **Gold Line Improvements (Sub-Area 1):** Improvements around the Gold Line extension may include platforms, bicycle racks for commuters and improved streetscape around the stop.
- **Pedestrian Access:** The TOD may need new bike lanes, pedestrian sidewalks, and a footbridge across Arrow Route to connect proposed Fairplex development to the Gold Line station.

# La Verne Preliminary Potential EIFD Map



# Potential Partners

## Potential Core Public Agencies



## Potential Public/Private Partnerships



# Economic Development 2.0: Sustainability, Energy Efficiency & Infrastructure



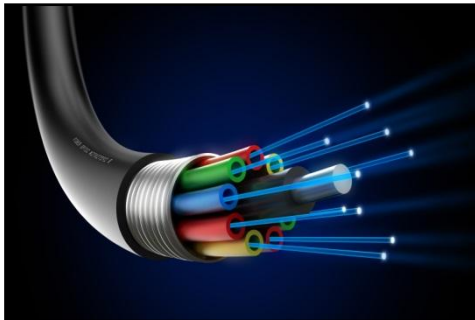
**Water and Sewer  
Infrastructure**



**Road Improvements**



**Renewable Energy  
Investments**



**Digital Connectivity  
Infrastructure**



**Mixed-Use/ Transit-  
Oriented Developments**



**Landscaping and  
Maintenance**

# Thank You

## Any Questions?



# Kosmont Companies CPOP Services

## Here Is What You Get With The Kosmont: CPOP:

- PACE Program Initiation
  - ✓ Formulation of Staff Report
  - ✓ Enabling Resolutions
- Customized PACE Outreach Program
  - ✓ Branding/Marketing Attraction and Approach
  - ✓ Informational Community Workshops
  - ✓ Website presence; Case Studies
- Underwriting and Financing Assistance
  - ✓ Technical Assistance for Property Owners
  - ✓ Transaction and Financing Structures
  - ✓ Assessment of potential energy savings
  - ✓ Financial cost-benefit analysis
  - ✓ Direct Lender Communications



# Commercial PACE Program Marketing

## Why Market Commercial PACE?

- Municipalities achieve sustainability, Job creation, Growth in property and sales tax revenue
- Shift communities toward regulatory compliance (SB 350)
- Also provides startup program for Enhanced Infrastructure Financing Districts (EIFD) and Community Revitalization and Investment Authorities (CRIA)

## ***PACE, by itself, IS NOT:***

- ❖ a simple solution and framework for execution of projects
- ❖ an automatic demonstration of a local gov't commitment to environment
- ❖ self-sustaining, self-promoting/marketing
- ❖ the only tool or program needed to drive demand for energy efficiency and economic development.



# Kosmont Companies: Our Mission

Kosmont Companies (“KC”) is a premier real estate, economic, and financial advisory firm in California with strong advocacy towards clean, energy efficient, renewable energy.

- We are committed to delivering flexible, cost-effective energy efficient and renewable energy outreach programs that consistently exceed legislative compliance and savings goals
- KC has positioned itself, through strategic alliances and affiliate networks, as the ideal advisor to building owners, capital investors, and local governments.



Bring PACE and Economic Investment  
to YOUR Community



# IT'S TIME TO PICK UP THE P.A.C.E! With Kosmont

## CONTACT US TODAY TO GET STARTED!

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