

2013 CDFA California Financing Roundtable Conference

--Advancing Development Finance in the Golden State--

**Thursday, November 14, 2013
Sacramento, California**

CA Local Governments' Health Assessment

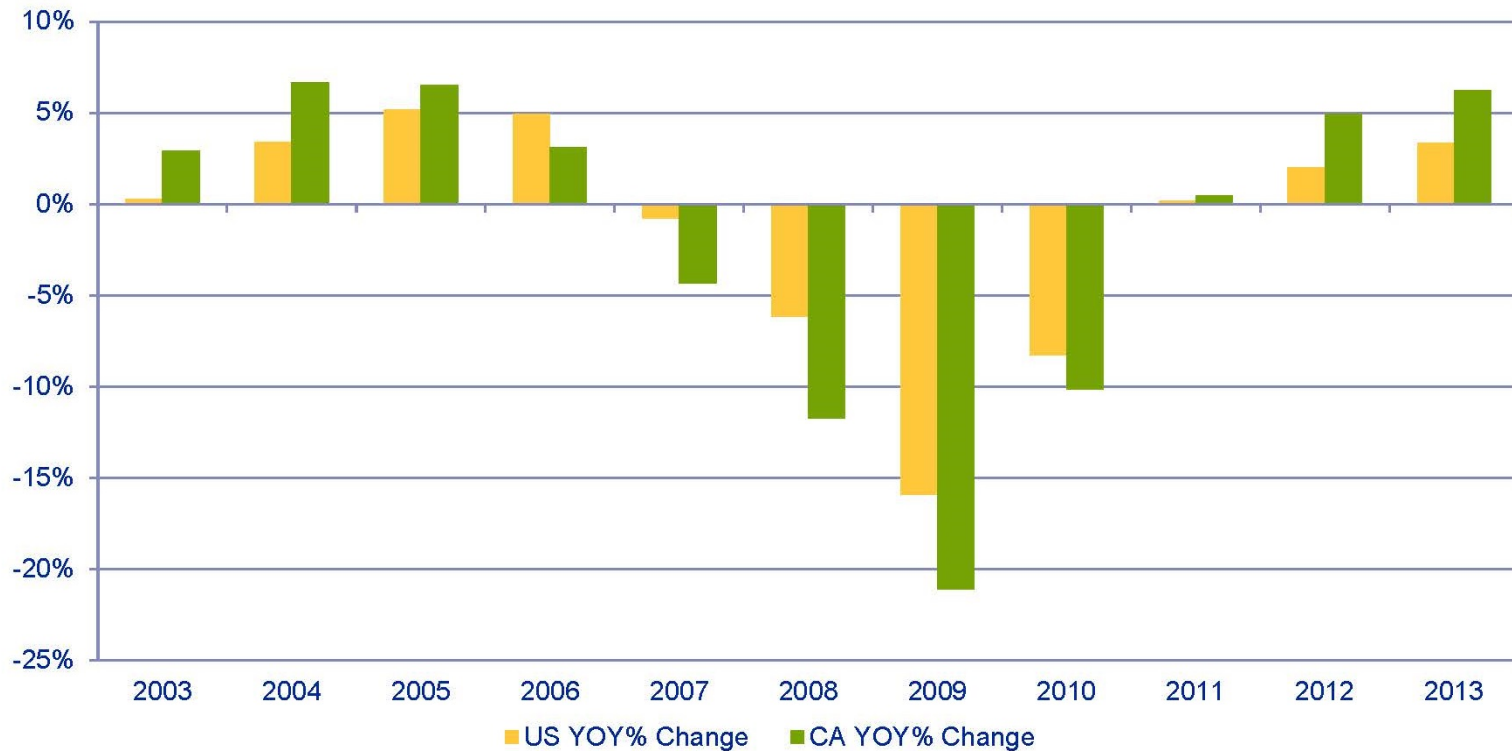
1. Local budgets remain impaired due to pension costs, reduced revenues and lost tax-increment; yet property and sales tax coming back
2. Cities distracted by RDA dissolution activity, including dealing with Property Management Plans to dispose of former RDA properties
3. Infrastructure maintenance and replacement has been put off while Cities work to stabilize budget and maintain essential services
4. State Budget artificially balanced using Prop 30 revenues that expire in 3-6 years (income & sales tax)
5. Enterprise zones eliminated - replaced by AB 93
6. New Economic Development Legislation for 2014:
 - AB 562 (Williams): "Economic Development Subsidies"
 - SB 470 (Wright): "Community Development: Economic Opportunity"
 - SB 440 (Gatto): "Hazardous Materials: local cleanup - Polanco Act"

California's Employment Snapshot

- **California's job growth was 1.6% from June, 2012 to June, 2013**
 - 236,200 jobs added
 - Ranks 18th in U.S.
- **Major industries seeing job growth**
 - Educational Services (5.2%)
 - Arts, Entertainment, & Recreation (5.1%)
 - Construction (4.9%)
 - Accommodation & Food Services (4.4%)
- **Larger CA metro areas seeing single-digit unemployment rates:**
 - San Francisco: 6.2%
 - Santa Ana: 6.8%
 - San Diego: 8.1%
 - Oxnard/Thousand Oaks: 8.3%
- **While we see improvement, other areas in CA are still lagging:**
 - Los Angeles: 10.3%
 - Fresno: 14.1%
 - Imperial County: 26.1%

California's Employment Snapshot

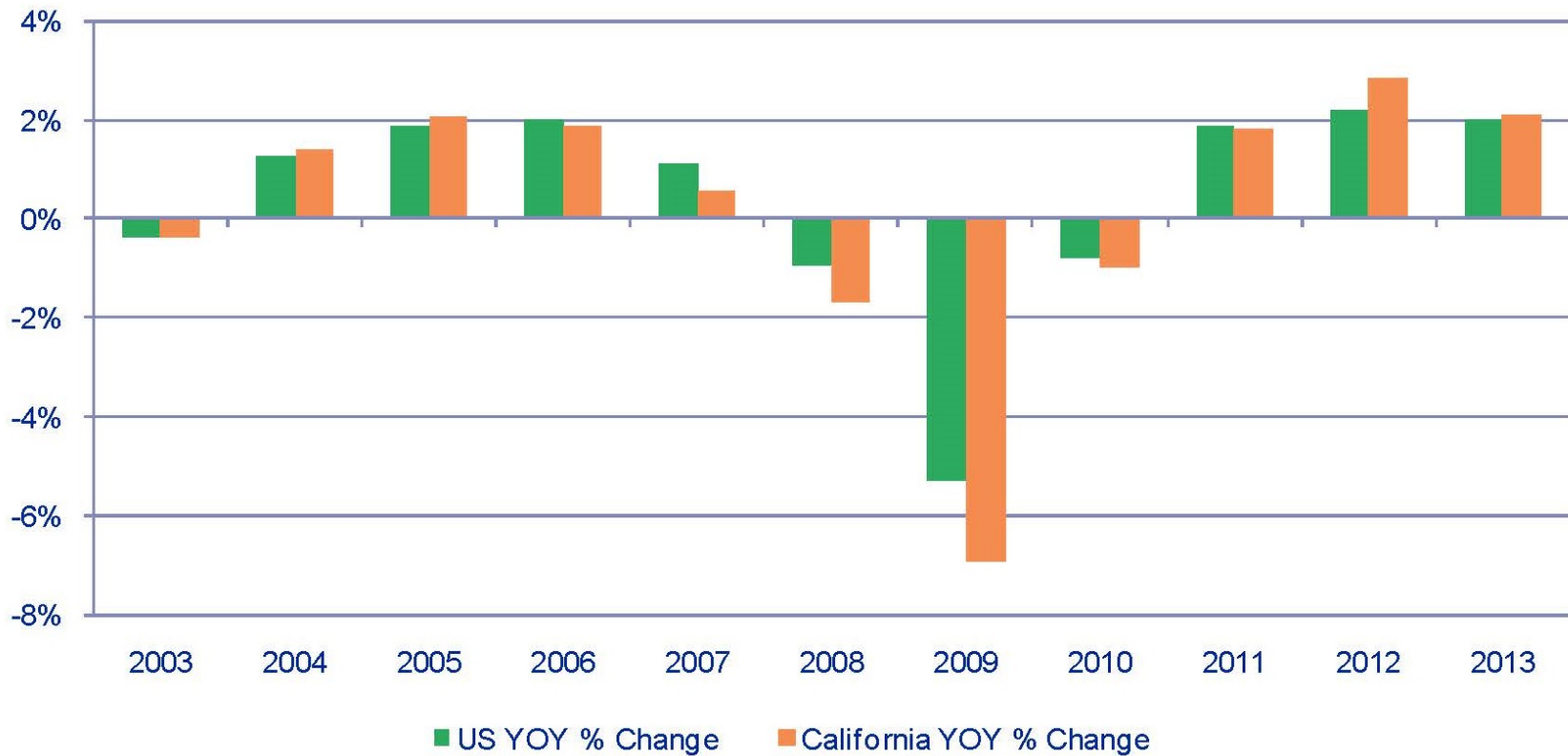
Construction Employment, Last 10 Years CA and USA



Source: Moody's Investors Service and Bureau of Labor Statistics

California's Employment Snapshot

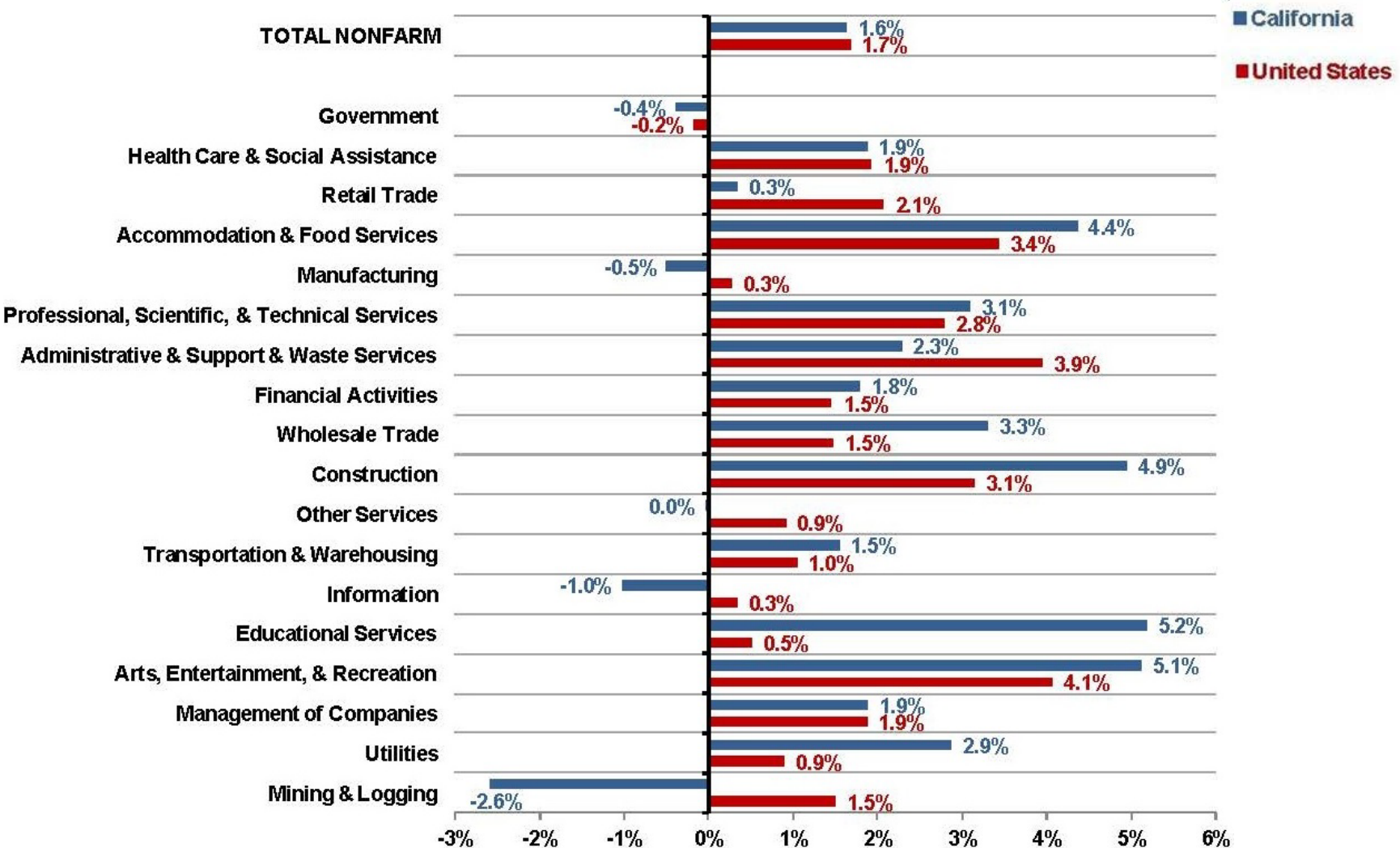
Total Private Sector Employment, Last 10 Years CA and USA



Source: Moody's Investors Service and Bureau of Labor Statistics

California's Economic Snapshot

Annual Job Growth, June, 2013



Data Sources: U.S. Bureau of Labor Statistics and CA Employment Development Department

How to Increase Local Revenues

Taxes vs. Economic Development

- **Higher taxes are part of the “fixed cost” equation that business must control to compete favorably**
 - California consistently rated least biz friendly by the CEO Roundtable
 - Without incentives, growth companies may look elsewhere
 - Over 175 cities & 32 counties at >9% unemployment, so we need jobs
- **Economic Development is a solution for CA Cities:**
 - ✓ Cities help themselves & State by helping companies to invest
 - ✓ Private investment = growth in real estate values and economic activity (local business spending, new wages, retail sales)
 - ✓ ED funding sources are very limited in California

Can ED projects be funded without new tax increment legislation?

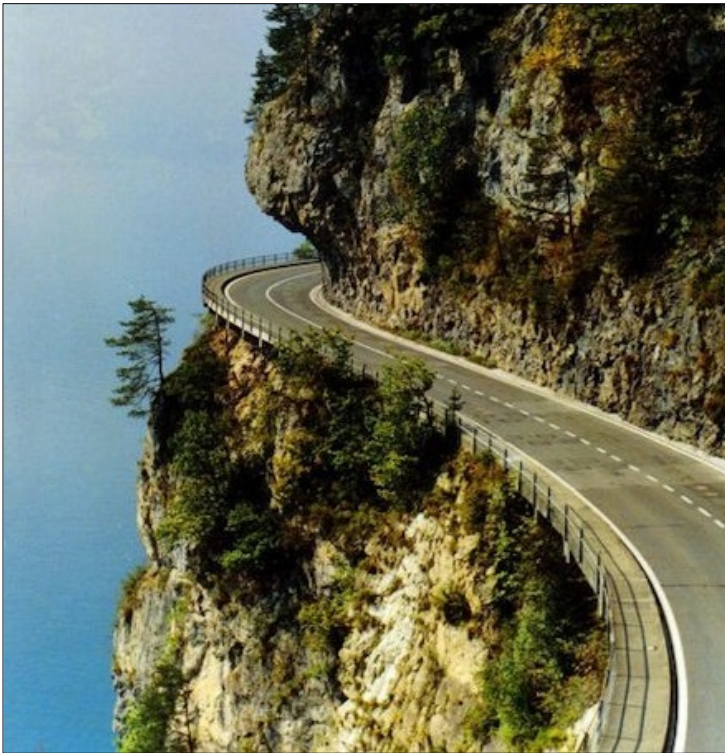
Economic Development = Solution

Economic Development is “Solution A” for California:

- **ED funding sources are very limited in California**
 - RDAs and Enterprise Zones are gone
- **Post-RDA ED requires new and creative approaches to generate projects that yield revenues and jobs**
 - Achievable BUT need well conceived strategy
 - ED & Public Finance complexities demand a skilled team
 - Key is to minimize public risk and maximize private investment
- **Components of a balanced ED Tool Kit:**
 - Property, Land Use & Zoning, Financing Districts, Targeted Taxes & New Revenues
 - Can be mixed & matched; typically work best in combination
 - RDA property disposition (if handled correctly) can be an ED driver
 - Prioritize assets, projects and opportunities
 - Seek highest value & return with least cost and risk
 - Expert Peer review can help select projects, strategies & tools

Cities' Choice for Survival

Which Road to Take?



**Put New Tax
Measures on Ballots?**



**Find Ways to install
Economic Development?**