

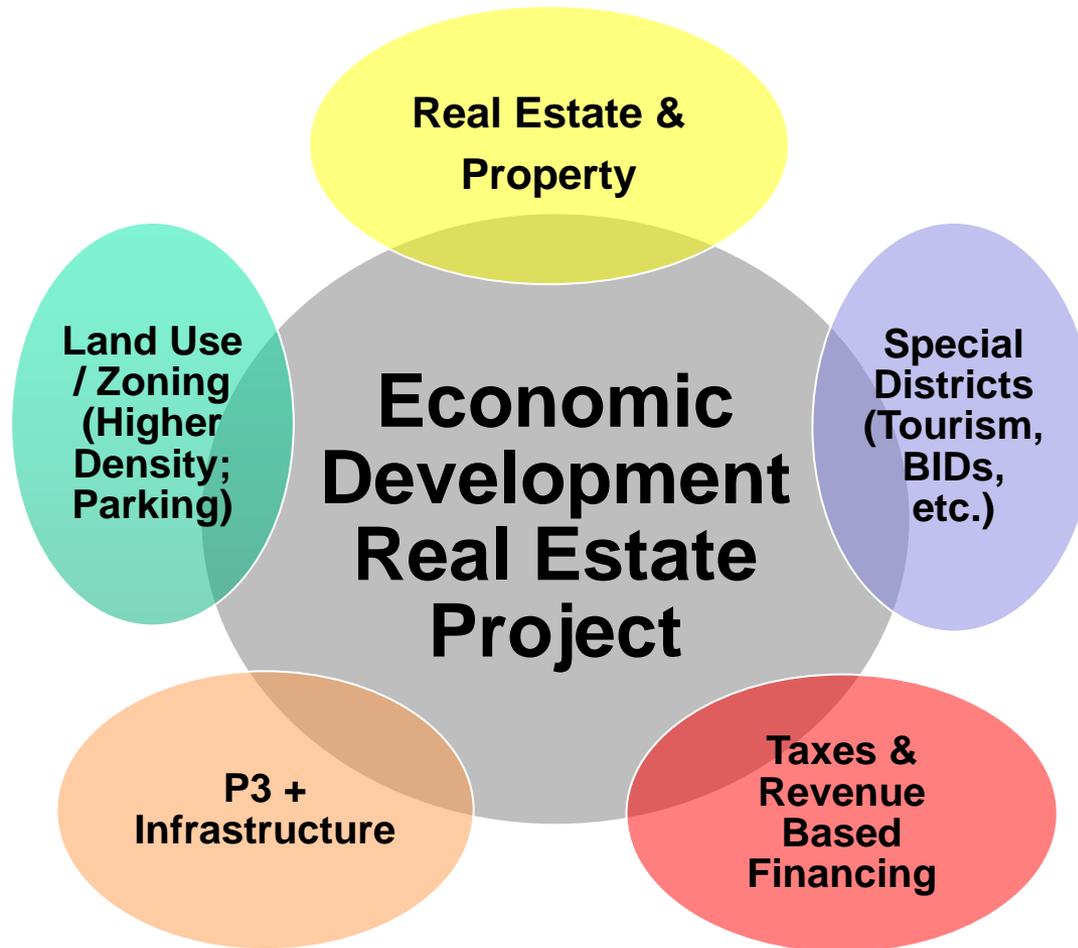
By Larry Kosmont, CRE[®], President & CEO, Kosmont Companies

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Post-RDA Economic Development Tools

Cities have 5 BASIC TOOLS for Public Private Projects



These tools often work best when used together

New Economic Development Legislation: Jan 2014

- **SB 470 (Wright) Govt Code 52200“Community Development: Economic Opportunity”**
 - Creates definition of “Economic Opportunity: Intent of bill is to promote local ED;
 - Communities can enact local strategies to increase jobs and generate tax revenue for all levels of government
 - City/County can sell RDA property for ED purposes at “fair reuse value”
 - Allows local governments to sell former RDA property below “fair market” value if needed for economic opportunity, following public notice and hearing
 - Requires Public Hearing & Report Prior to Sale/Lease of Land under PMP
 - Qualifying “economic opportunity” required, such as job creation (\$35k/job), affordable housing, growth of property taxes, SB 375 projects, or TOD
 - Local governments can loan funds for purpose of rehabilitating commercial buildings
 - Local governments can assist financing of facilities/capital equipment (e.g., pollution control devices) for industrial or manufacturing projects with findings of necessity for economic feasibility of development and can’t be obtained in private markets
 - Bill does not authorize eminent domain for economic development

New Economic Development Legislation: Jan 2014

- [AB 440 \(Gatto\)](#) Health and Safety Code 25403 : **“Hazardous Materials: Local Cleanup”**
 - Grants cities & counties Polanco type powers as Brownfield remediation tool
 - RDAs used Polanco to remediate/redevelop sites with environmental issues
 - RDAs could approve cleanup plans and obtain immunity
 - Encourages infill development and cleanup of BrownfieldsAllows local agencies to:
 - delegate oversight (e.g., to DTSC);
 - cause Phase I or II to be performed; and
 - following an approved plan, immune from post-cleanup liability under state hazardous substance laws
 - Must provide public notice, public comments, and hold public meeting, if requested
 - Dispute resolution procedures between competing agencies and for responsible parties to appeal direction by a local agency to prepare investigation or cleanup plans

New Economic Development Legislation: Jan 2014

- **AB 471 (Atkins): Health & Safety Code 34171 Community Development- Economic Opportunity**
 - AB 471 (Atkins), amending Authorizes an infrastructure financing district (IFD) to finance projects in areas within or overlapping with former RDA areas
 - Provides for funding of housing authority administrative costs through recognized obligation payment schedule (ROPS) listing
 - Other modifications to ROPS procedures include:
 - Permits payments beyond current 6-month ROPS period if required by lender
 - Permits bond proceeds issued during the cycle to on ROPS as source of funds
- **SB 341 (DeSaulnier): Health & Safety Code 34176, 34176.1 Encouraging Housing Spending**
 - Provides rules for successor housing agencies on spending former RDA housing assets
 - Expands use outside former RDA project areas, including transit projects and other areas, allows agencies to combine funds in some circumstances
 - In addition to new Low and Moderate income housing, encourages spending on maintaining long term affordability and addressing homelessness and restricts efforts for all-senior

New Economic Development Legislation: Jan 2014

- **AB 562 (Williams) Govt. Code 53083 : Report on “Economic Development Subsidies”**
 - Effective Jan 2014 City/County to provide report before any ED subsidy of \$100,000 +
 - Subsidy is “any expenditure of public funds or loss of revenue to a local agency for the purpose of stimulating development”
 - Including (but not limited to): bonds, grants, loans, enterprise or empowerment zone incentives, fee waivers, and tax abatement, tax credits, or tax exemptions
 - Description of the subsidy public purpose of the subsidy
 - Estimated number of jobs created
 - Projected tax revenue
 - Requires local governments to also review, hold hearings, and report on those subsidies at specified intervals (NTE 5 years)
- **AB 483 (Ting): “Tourism & BID Districts”**
 - BIDs are voluntarily formed by businesses to impose an assessment on themselves to privately fund tourism promotion efforts (and other activities)
 - Helps TIDs/BIDs comply with Prop 26: specific benefits & government services assessments are NOT a tax

New Economic Development Legislation: Jan 2014

- **SB 743 (Steinberg): “CEQA Reform Bill”**

- Reduced CEQA analysis for Urban Infill projects
- Expands exemption to include commercial development/mixed-use projects proximate to transit and consistent with Sustainable Communities Strategy
- SB 743 (Steinberg) provides opportunities for local governments to designate “infill opportunity zones” in “transit priority areas”
- For residential, mixed-use, or employment center projects on such sites, no CEQA review for aesthetic or parking impacts
- OPR to develop new guidelines for significance of transportation impacts of projects within transit priority areas – promote multi-modal transportation and GHG reduction



- **CEQA and Stadiums!: SB 743 “CEQA Reform Bill” Continued**

- Delays and potential litigation from CEQA can be impediments, especially for sports facilities
- To join the two football projects with CEQA specific bills, SB 743 (Steinberg) provides detailed requirements for a Sacramento basketball arena
- CEQA challenges to “environmental leadership development projects” must be concluded within 270 days after AR
 - Qualifying projects must (i) result in a minimum investment of \$100MM upon completion, (ii) create high-wage, highly-skilled jobs and pay prevailing wage during construction, and (iii) not result in any net additional GHG emissions

Pending Legislation & Initiatives

- **Despite Governor Brown's consistent rejection, legislators are still busy crafting bills allowing use of TIF for infrastructure/redevelopment purposes**
 - **Legislative approaches for 2014:**
 - Lower voter approval to 55% threshold for special taxes & bonds
 - Address new and existing economic development tools
 - 1) Modify Infrastructure Financing District Law (IFD)
 - 2) Re-authorize Redevelopment Powers for Redevelopment 2.0
 - 3) CEQA reform focused on sustainability and Infill
 - 4) Tax Credit strategy "new school" vs. "old school"
 - **New proposed ED Bills: Income Taxation: Credits – New Market Tax Credit (AB 1399) & California's Trade Relations with Mexico (AB 690)**
 - **Initiative for Nov 2014 Ballot? Jobs & Education District Initiative(JEDI)**

Pending IFD & RDA Reform

AB 1080 (Alejo)	RDAs designed to serve disadvantaged areas	R
SB 1 (Steinberg)	Authorize city to dedicate portion of revenue to authority through Sustainable Communities Investment Plan	D A
AB 243 (Dickinson)	Infrastructure Financing District reform (IFD) Similar to AB2144 – proposes to reduce 2/3 vote to 55 percent	I F D
AB 229 (Perez)	IFD (Military Base Reuse Authorities) – authorize district to finance project in former RDA projects areas and former military bases	R E F O R M
AB 294 (Holden)	IFD using State Infrastructure Banks Also uses school share of property tax	
SB 33 (Wolk)	IFD -removes vote threshold/other fixes – prohibits district from financing project within RDA area until SA has received FOC	
AB 662 (Atkins)	IFD -includes former RDA project areas	

Jobs & Education District Ballot Initiative (JEDI)

- **Jobs & Education District Ballot Initiative (JEDI) would bring back TIF back**
 - Use locally generated property tax revenue to create jobs, building affordable housing, rebuild neighborhoods and fund public schools
 - Provides cities with TIF as a tool for ED, educational funding, and job creation
 - Allow JEDI agencies to establish new redevelopment project areas
 - Uses Economic Development to enhance funding for public schools
 - **Initiative Status:** Currently filed with State Controller; will need more money from cities & private sector and 500k signatures to qualify for statewide ballot

J.E.D.I.'s use TIF to fight California's Dark Side –
Unemployment!



Use the Force of TIF – Let it Guide Your Enactions

CA in 2014 = High Taxes & High Unemployment

Higher CA taxes make it difficult for businesses to compete

- California consistently rated least biz friendly by the CEO Roundtable
- Without incentives, growth companies may look elsewhere

• CA Over 175 cities & 36 counties at >9% unemployment; we need jobs

• Economic Development is the primary solution for CA Cities:

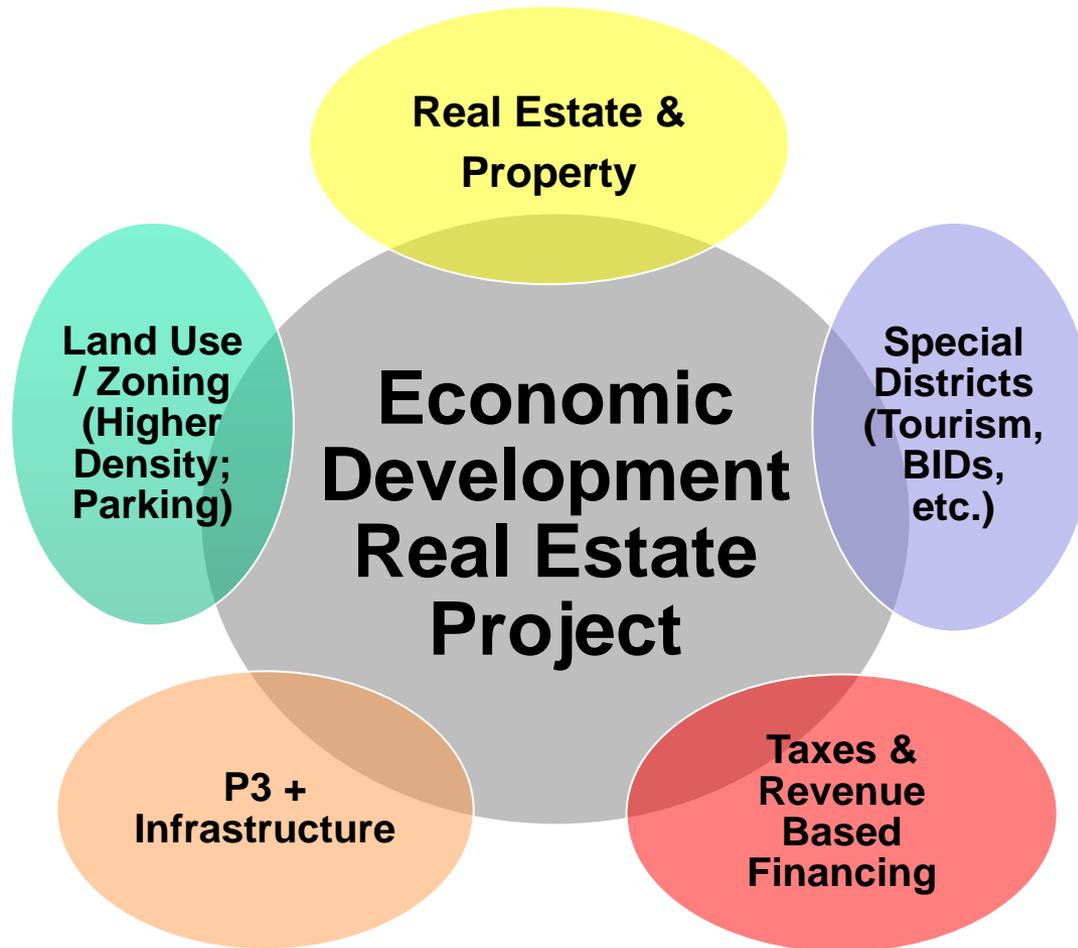
- Private investment = growth in real estate values and economic activity (local business spending, new wages, retail sales)
- Cities help themselves & State by helping companies to invest
- 320,000 new jobs yield \$1 billion dollars per year in State GF revenues

• Cities need Real Estate projects for Economic Development to add jobs, raise wages and improve quality of life

Economic development is tougher but possible without tax increment

Post-RDA Economic Development Tools

Cities have 5 BASIC TOOLS for Public Private Projects



Theses tools often work best when used together

Successful Projects without Redevelopment

EB-5 FINANCING PLACEMENT TENANT IMPROVEMENTS



W HOTEL
Hollywood, CA
EB-5 financing for tenant improvements at
Drai's Nightclub and Delphine Restaurant

\$16.5 Million

LEASE/LEASEBACK FINANCING CITY ACQUISITION OF PIER PLAZA



PIER PLAZA
City of Redondo Beach, CA
Lease/Leaseback financing terms provide
105% financing and positive cash flow

\$8.3 Million

LEASE/LEASEBACK FINANCING CITY ACQUISITION OF BOARDWALK



INTERNATIONAL BOARDWALK
City of Redondo Beach, CA
Lease/Leaseback financing terms provide
104% financing and positive cash flow

\$2.7 Million

UTILITY BONDS FOR INFRASTRUCTURE



AZALEA RETAIL CENTER
City of South Gate, CA
372,000 SF Regional Center to open June 2014
600+ new jobs & \$2.6 Million new sales taxes

\$100 Million - Under Construction

SITE SPECIFIC SALES TAX REVENUE SHARING DEV AGRMT



PIER/WATERFRONT PROPERTY
City of Redondo Beach, CA
Revitalization plan of Pier & Waterfront is core
to City's economic development strategy

\$7.898 Million

SITE SPECIFIC SALES TAX REVENUE SHARING DEV AGRMT



MALL OF VICTOR VALLEY
City of Victorville, CA
Expanded to 578,000 SF Regional Retail Ctr.
200+ new jobs & \$1 Million/year in new taxes

\$40 Million - Under Construction

RDA Dissolution: A Chance to Kick Start ED in Cities

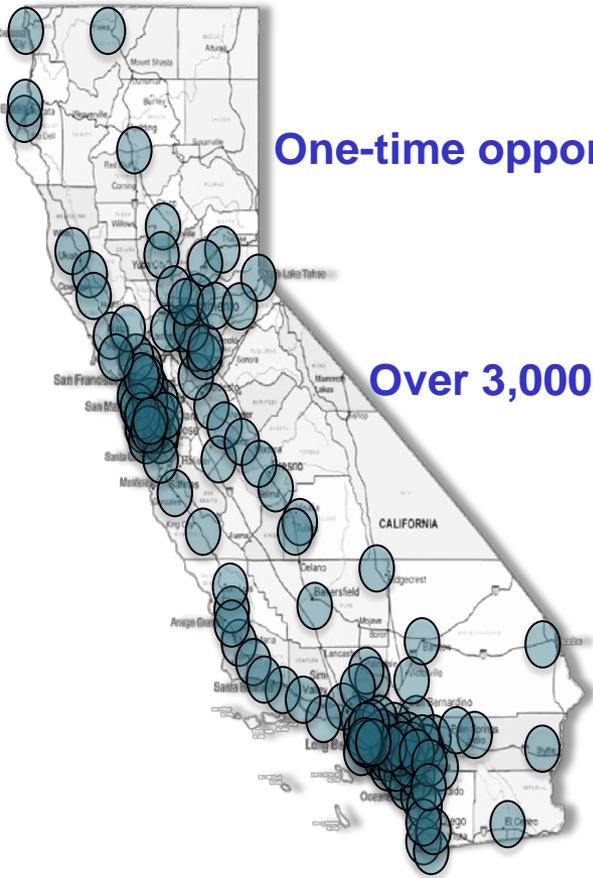
427 former Agencies must complete Property Management Plans by mid-2014

One-time opportunity to use the five tools; in particular PUBLIC PROPERTY & ZONING tools: “PMP” can produce private investment for a City

Over 3,000 former RDA properties must be disposed of starting in Q1 2014

Some properties need remediation which may be achievable because of SB 470 (Wright) **extends “Polanco” to cities**

Economic development can materialize by strategically managing PMP tasks & assets



Transactional Guide to PMPs

Transactional Guide to Property Management Plans

- Step 1: Finding of Completion**
- Submit True-up Payments and DDRs
 - Achieve DOF approval
 - Receive Finding of Completion

- Step 2: Community Redevelopment Property Trust Fund**
- Establish repository for former RDA properties [§34191.5(a)]

- Step 3: Long Range Property Management Plan**
- PMP due within 6 months after receiving FOC
 - Must have PMP approved by DOF by January 1, 2015 or properties shall be disposed as directed by OB [§34191.3]

Step 4: POST SALES

Economic Development / Infrastructure Opportunity

Properties that may be Transferred to the City/County
(requires OB and DOF approval [§34181(f)])



Government Purpose

- Roads, schools, police and fire stations, libraries, parks, Gov't offices [§34181 (a)]



Enforceable Obligation

- Property may be sold or retained for purposes of fulfilling an enforceable obligation [§34191.5(c)(2)]



Future Development

- Property is identified in approved redevelopment plan [§34191.5(c)(2)(A)]

Sell for Reuse / Development



Properties the Successor Agency MUST SELL
(Pursuant to OB and DOF approved PMP)

"A" Properties:

- Strategic properties for economic development
- Entitlement conditions/status a factor
- Highest & Best Use vs. Price



"B" Properties:

- Properties with encumbrances, COAs, need zoning
- Market & zoning/COAs will impact value & terms of sale



"C" Properties:

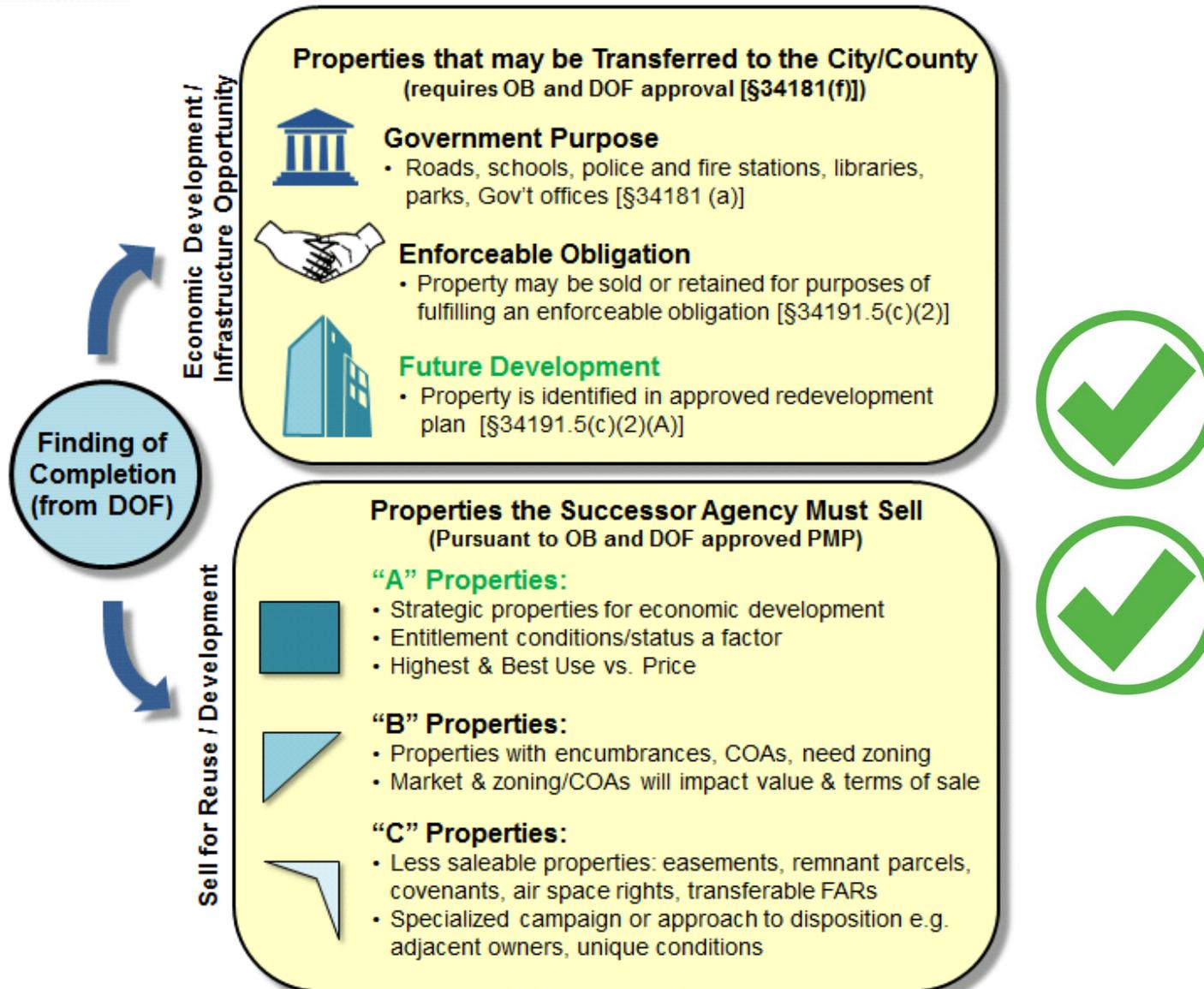
- Less saleable properties: easements, remnant parcels, covenants, air space rights, transferable FARs
- Specialized campaign or approach to disposition e.g. adjacent owners, unique conditions

Primary Focus: Image expanded on next page

- Project Development
- Leasing
- Property Management
- Ongoing Sales, Pad Sales
- Joint Venture Opportunities
- Mortgage Banking / Client Financing
- New Client Development Services



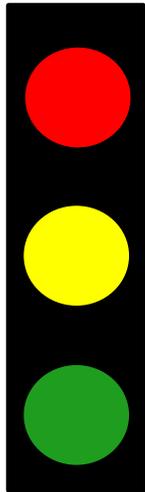
PMP's: An Opportunity to Combine Tools



Statewide Status of DOF PMP Approvals

Current Status as of March 2014

PMP* STOPLIGHT



DOF Approvals: 427 Successor Agencies

132 Successor Agencies waiting for a FOC*
(includes approximately 80 lawsuits)

295 FOCs issued between February 2013 – March 2014
(Of those, 260 PMPs are submitted and/or due by March 30, 2014)

60 PMPs Approved by the Department of Finance

¹ Based on Kosmont Companies research
*DOF = Department of Finance, FOC = Finding of Completion, PMP = Property Management Plan

DISCLAIMER: This information was compiled by Kosmont Companies based on best information available and is preliminary in nature. Kosmont Companies makes no representations regarding the accuracy or suitability for use of this information.

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In 2014, ED is possible...just not easy

- **No support from Governor on Tax Increment Financing for Econ Development (jobs & tax revenue) or Infrastructure Financing (IFDs) if**
 - Uses any school increment
 - Opt-in provisions for other tax agencies eliminated
- **Econ Dev incentives needed to lure private sector investment**
 - Unemployment is California's blight; among highest in nation
 - Cities do have "hand tools" left to use after loss of RDA "power tool"
- **For now, State & Cities in CA are expensive and on a "new tax" binge**
 - CEOs already view California as costly and cumbersome
 - State Budget in better shape but largely due to expiring tax increases
- **Jobs & Education District Initiative (JEDI) would bring back TIF back**
 - Filed with State Controller, but needs \$\$ and signatures
- **If JEDI Initiative fails then ultimately new State Legislation may help**
 - Slow boat with short life line