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San Pedro Enhanced Infrastructure Financing District (EIFD)

Economic and Community Development Committee Briefing

April 19, 2023

Prepared by:
Kosmont Companies

SCAG
SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

HACLA

Introduction and Background

- Funded by a Southern California Association of Governments (SCAG) Regional Early Action Planning (REAP) grant
- City is evaluating a special district to fund public projects in San Pedro (e.g., streets, parks, utilities, affordable housing)
- Tax increment financing (TIF) in the form of an Enhanced Infrastructure Financing District (EIFD)
- Enables City to finance public projects using property tax revenue from new development, with <u>no new or increased taxes</u> or burden to local taxpayers
- Allows funds generated in San Pedro to be re-invested in San Pedro
- Potential for County partnership

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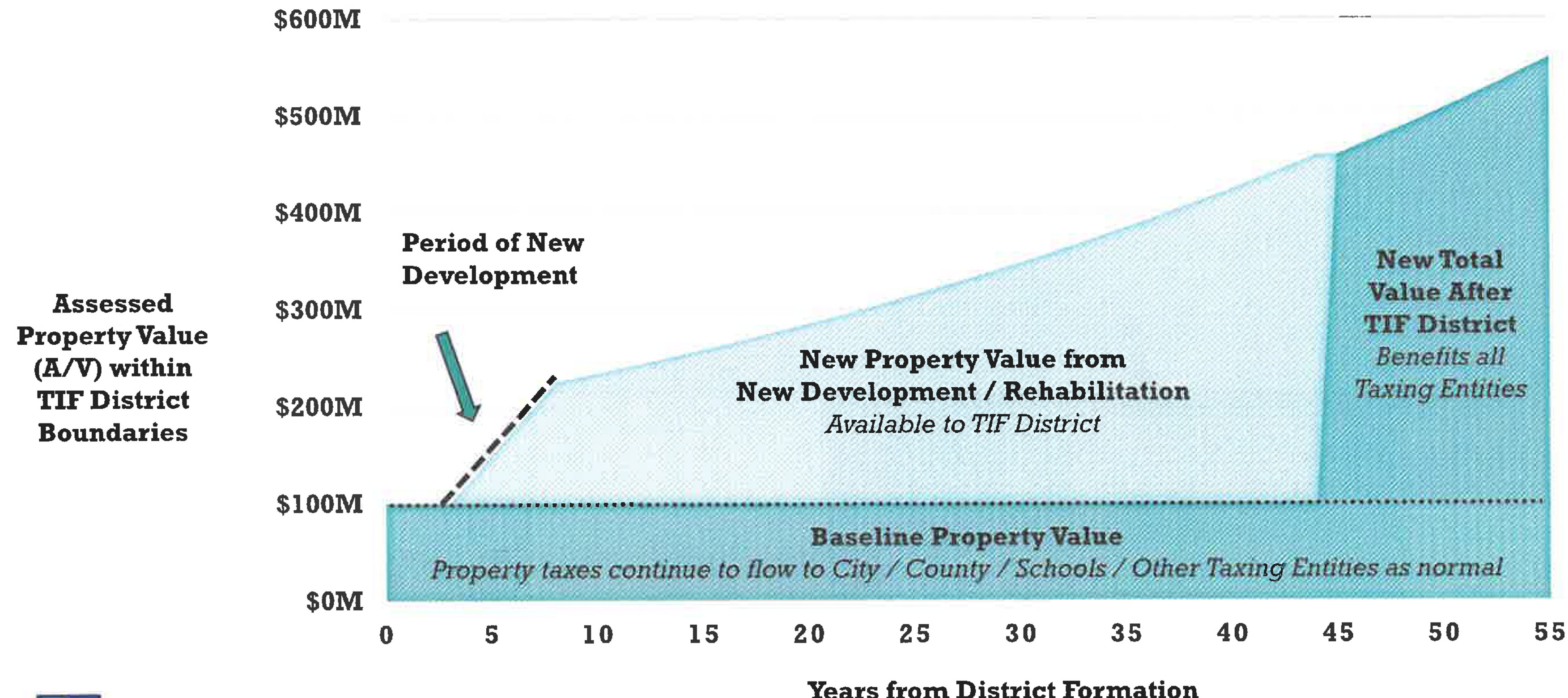
Tax Increment Financing (TIF) Mechanics – Not a New Tax



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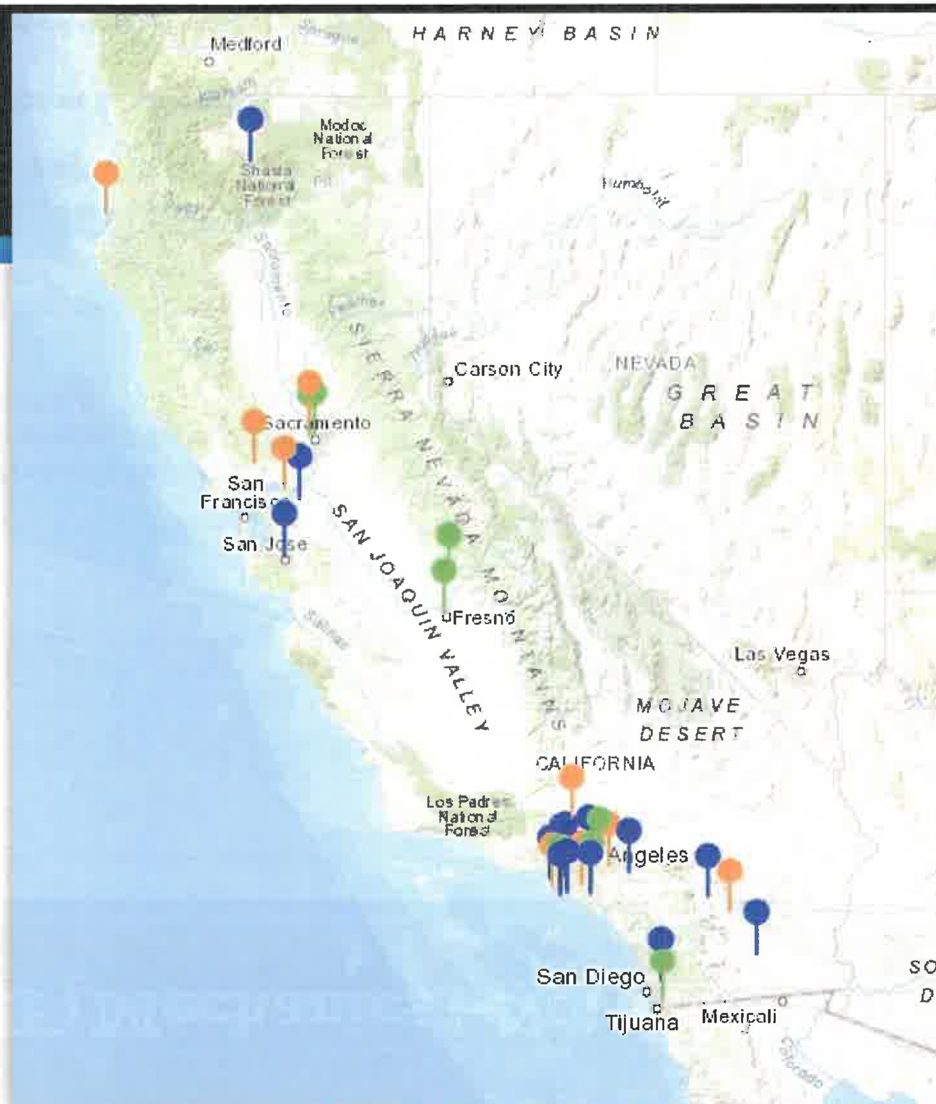
Note: Illustrative. Conservative 2% growth of existing assessed value (A/V) shown; does not include mark-to-market increases associated with property sales.

Districts in Progress Statewide

Examples in Los Angeles County include La Verne, Palmdale, Unincorporated West Carson, and Carson



Fully Formed	In Formation Process	Under Evaluation

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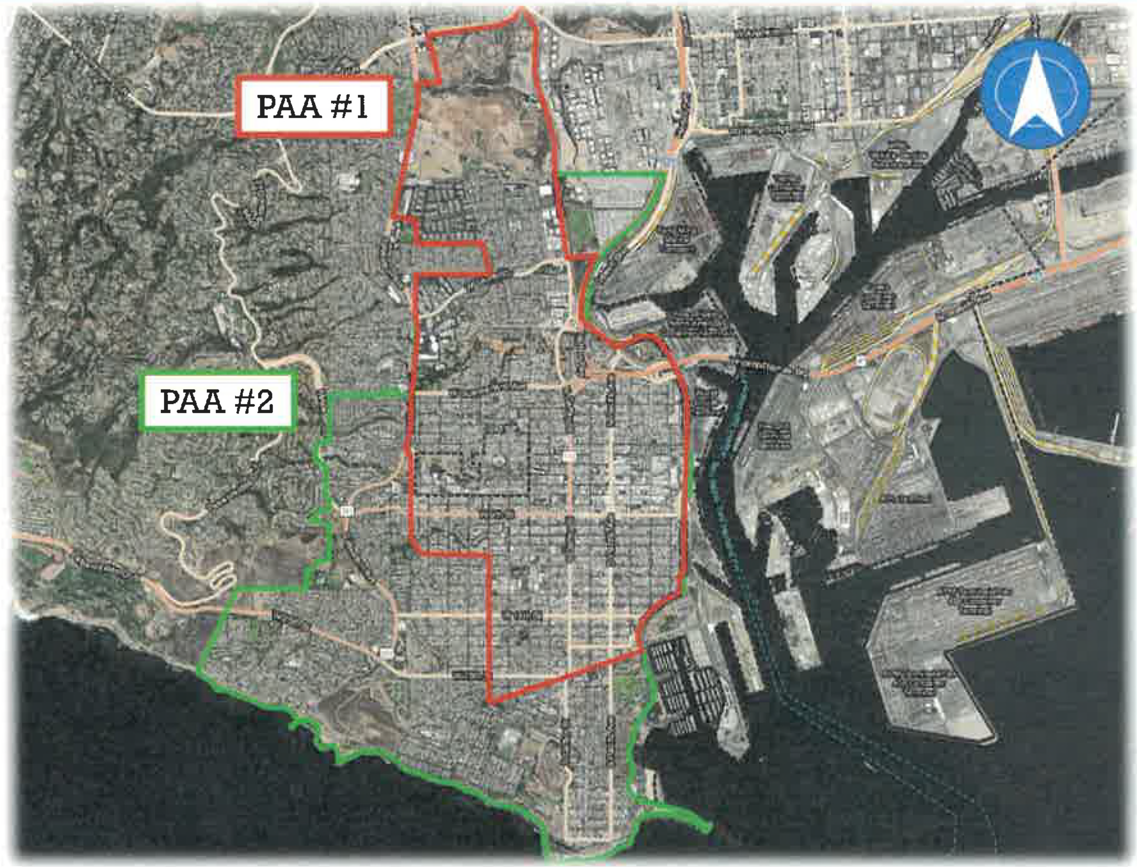
San Pedro EIFD Study Area Boundaries

PAA #1 is the Preferred Alternative

Boundary Scenario Overview	
PAA Boundary #1	
Area (AC)	3,031 AC
Existing AV	$6.6 billion

~0.9% of City



AV: Assessed value
Source: ESRI, SCAG, LA County GIS, LA County Assessor
Note: Map not to scale

Stakeholder Engagement Thus Far

Date	Event
June 2022	Chamber of Commerce
July 2022	Rancho San Pedro Community Advisory Committee
August 2022	City Staff TIF Ad Hoc Committee
August 2022	County Fourth Supervisorial District
September 2022	Public Workshop #1 at First Thursdays
September 2022	Neighborhood Council Joint Planning and Land Use Committee
September 2022	Public Workshop #2 Virtually
November 2022	County Fourth Supervisorial District + County CEO Staff
December 2022	City Staff TIF Ad Hoc Committee
January 2023	Chamber of Commerce
February 2023	City Staff TIF Ad Hoc Committee

Note: County discussions guided by County Adopted EIFD Participation Policy, which outlines requirements for potential County match of tax increment allocation

Community Feedback

Type of Project	Chamber of Commerce	RSP Community Advisory Committee	Public Workshop #1 @ First Thursday	Public Workshop #2 Virtually	Total
Affordable Housing	21%	29%	19%	24%	21%
Small Biz Improvements	16%	7%	16%	14%	15%
Streets / Sidewalks	11%	5%	16%	10%	13%
Parking	10%	14%	12%	17%	12%
Parks and Open Space	8%	2%	13%	10%	10%
Public Transportation	18%	12%	6%	7%	9%
Water / Sewer / Other Utilities	8%	17%	5%	7%	7%
Libraries / Child Care	2%	7%	9%	7%	7%
Broadband	6%	7%	5%	3%	6%
Total	**100%**	**100%**	**100%**	**100%**	100%

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Revenue and Bonding Capacity Estimates

EIFD Revenue Allocation Scenario	Year 5 Accumulated Revenue + Bonding Capacity*	Year 10 Accumulated Revenue + Bonding Capacity*	50-Year Present Value @ 6%	50-Year Nominal Total
City 50% + County 50%	$30,082,000	$78,974,000	$228,483,000	$523,160,000

- Projections based on future development that can be catalyzed, consistent with adopted San Pedro Community Plan
- Applicable City and County shares of the 1% property tax general levy (approx. 26% and 24.5% respectively)
- Includes no portion of existing revenues, only 50% of future, incremental property tax revenues

City and County allocations include AB8 property tax but do not including property tax in lieu of MVLF

** Bonding capacity assumes Year 5 is first bond issuance for EIFD. "Year 5 means fifth year of revenue following district formation. Net proceeds shown. Bondable revenue assumes $25,000 admin charge, 150% debt service coverage. 6.0% interest rate; 30-year term. Proceeds net of 2% underwriter's discount, estimated reserve fund (maximum annual debt service), costs of issuance estimated at $350,000.*

Source: Kosmont Financial Services (KFS), registered municipal advisor.

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Potential Priority Projects

- Affordable housing development in San Pedro with initial focus on One San Pedro gap funding, related brownfield remediation
- Streets, mobility, and safety (e.g., Transit Center on First and Beacon, Harbor Boulevard bus lanes, road and sidewalk repairs, accessibility upgrades, bike lanes)
- Parks, open space, and public amenities (e.g., Linear Park, Harbor Plaza, Sports Park and Recreation Facility, related parking)
- Wet and dry infrastructure and utilities
- Small business improvements (e.g., Façade Improvement Program, Chamber of Commerce Facilities Programming)

Estimates totaling ~$200M-$250M consistent with estimated funding capacity

+ ~$500K annually for maintenance allocation

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Note: Consultation still in progress with public works, Department of Water and Power (DWP), other departments – pending verification of project priority and cost estimates

Public Agency "Return on Investment"

- Housing: **4,500+ units**, including **1,000+ new or preserved affordable units**
- Job creation, wages:
  - **1,100+ permanent, direct jobs** in San Pedro + **~600** additional indirect and induced jobs in the County, related ~wage income
  - **30,000+ temporary construction-related jobs** in City and County, **$2.5B+** related wage income
- Acceleration of development and related fiscal revenues:
  - **$130 million** in present value **fiscal benefit** for CITY general fund over 50 years, net of tax increment contribution to EIFD and net of estimated fiscal expenditures (50-year, 33% City allocation example, Boundary Scenario #2)
  - **$41 million** in present value **fiscal benefit** for COUNTY general fund over 50 years, net of tax increment contribution to EIFD and net of estimated fiscal expenditures (50-year, 33% County match example, Boundary #2)

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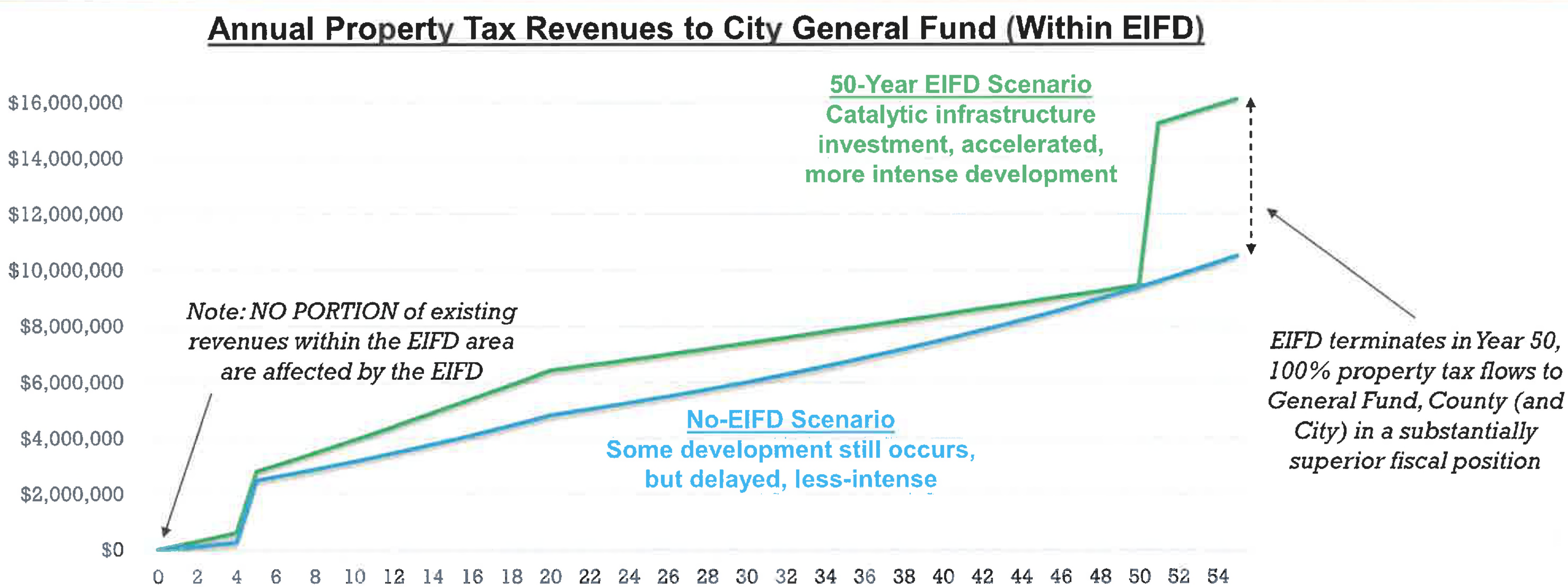
Fiscal Return on Investment for City of L.A.
Fiscal Benefit – EIFD vs. "Do-Nothing" Scenario



- **$23M+** in fiscal benefit to City general fund over 50 years in this example (present-value discounted at 3%), improves further substantially thereafter
- Does not reflect additional funding from County otherwise not likely available for City projects

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EIFDs work better with a City/County Partnership + Better Able to Attract Complementary Funding

- Ideal strategy includes City and County partnership
- EIFDs which involve a City / County joint effort are more likely to win state grant funding sources
- EIFDs explicitly increase scoring for CA state housing grants (e.g., IIG, AHSC, TCC)

Federal & State Sources

- *Cap-and-Trade / HCD grant & loan programs (AHSC, IIG,TCC,CERF)*
- *Prop 68 parks & open space grants*
- *Prop 1 water/sewer funds*
- *Caltrans ATP / HSIP grants*
- *Federal EDA / DOT / EPA funding*
- *Federal Infrastructure Grant Program*

Other Potential Funding Sources

- *Development Agreement / impact fees*
- *Benefit assessments (e.g., contribution from CFD)*
- *Private investment*

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Next Steps and Timing

- San Pedro EIFD motion at ECD Committee today, receive and incorporate feedback
- San Pedro EIFD motion to City Council
- Refinement of key analysis assumptions accordingly
- If continued support, implementation with required public meetings and hearings May – December 2023

THANK YOU

Questions?

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