

# CITY OF LOS ANGELES

CALIFORNIA

CAROLYN M. HULL  
GENERAL MANAGER



KAREN BASS  
MAYOR

**ECONOMIC AND  
WORKFORCE  
DEVELOPMENT  
DEPARTMENT**

444 FLOWER STREET  
LOS ANGELES, CA 90071

June 16, 2025

Council File: 25-0006-S38  
Council District No.: 11  
Contact Persons & Extensions:  
Fred Jackson (213) 744-9723  
Fred.jackson@lacity.org

The Honorable Karen Bass  
Mayor, City of Los Angeles  
Room 303, City Hall

City Council  
c/o City Clerk  
Room 395, City Hall

Attention: Legislative Coordinator

## **TRANSMITTAL: REPORT BACK ON THE FEASIBILITY OF CREATING A CLIMATE RESILIENCE DISTRICT FOR THE DIRECTLY IMPACTED AND ADJACENT AREAS OF THE PACIFIC PALISADES FIRE AND IDENTIFY FUNDING FOR A FEASIBILITY STUDY**

The General Manager of the Economic and Workforce Development Department (EWDD) requests that the Mayor review this Transmittal and forward to Council for their further consideration and possible action.

### **RECOMMENDATIONS**

The General Manager of EWDD requests that the City Council, subject to the approval of the Mayor as required:

1. DIRECT EWDD to perform a preliminary assessment of the proposed Climate Resilience District (CRD) encompassing the directly impacted and adjacent areas of the Pacific Palisades Fire (Palisades) and prepare a report for the City Council and the Mayor of its impacts and whether it appears that forming the proposed CRD is in the City's economic and fiscal interest; and
2. DIRECT the Chief Legislative Analyst (CLA) and the City Administrative Officer (CAO) to identify funding in the amount of \$300,000 to conduct a comprehensive feasibility study of creating a CRD to support climate related infrastructure improvements for the directly impacted and adjacent areas of the Palisades.

## **INTRODUCTION**

A CRD is a defined area within a city or region dedicated to strengthening resilience against climate change impacts, such as wildfires, extreme weather events, sea level rise, flooding, and heatwaves. These districts incorporate sustainable infrastructure, community involvement, and forward-thinking policies to promote long-term environmental and social sustainability.

On March 19, 2025, Council adopted a motion (Motion) directing EWDD to report back on the feasibility of creating a Palisades CRD to facilitate an expeditious recovery (C.F. 25-0006-S38). The Motion identified key topics to address in determining the feasibility of creating a Palisades CRD, including:

- The feasibility and time needed to create a CRD
- How a CRD would stimulate private and public sector investment
- What local and regional infrastructure improvements could be funded by a CRD
- What private development improvements, if any, could be funded by a CRD
- The feasibility of partnering with the County of Los Angeles in the creation of a CRD
- What financing mechanisms could be used for this type of district, and what would the financial impact be to the city's bottom line for each

This report provides a high-level overview of CRDs and explains that CRDs could be a valuable tool for implementing long-term climate resilience projects. Implementation of a Palisades CRD during the rebuilding period would leverage higher than normal assessed value growth to generate substantial tax increment to fund eligible CRD projects, but a decision to allocate tax increment to a Palisades CRD would need to be weighed against the impact to the General Fund.

## **FEASIBILITY OF CRDS FOR SHORT TERM DISASTER RECOVERY**

The Motion indicated that one of the goals of a Palisades CRD would be to access short term funding for fire recovery. Unfortunately, a CRD will not generate funding quickly enough to assist with short term recovery costs. It is estimated to take 18-36 months to evaluate and implement a CRD. 18 months is a best-case scenario that would require a commitment from the City and its partners to expedite all formation activities. Tax increment is the primary funding source considered for the CRD. After the CRD is established, it will take an additional 2 years for tax increment to be earned, reported, and transferred for CRD utilization. After this two-year period, it takes at least 3-5 more years for a CRD to accumulate sufficient funding reserves to issue bonds, and the term of a CRD is up to 45 years from the first debt issuance. CRDs can levy taxes to fund projects, but it is not clear whether there would be sufficient political or community support for the required voter approval. Accordingly, CRDs do not align with funding short term recovery costs.

## **LOS ANGELES COUNTY COLLABORATION**

One advantage to a CRD is the potential for County participation. With County participation, CRDs effectively double the amount of property tax revenue available to fund CRD projects. Accordingly, CRD districts are most practicable and advantageous to the City with County participation. Formal negotiations would need to be authorized by Council motion before City and County Staff could negotiate and officially agree to establish a CRD.

**OVERVIEW OF CRDs**

CRDs, EIFDs, and Tax Increment Financing

CRDs were established under Senate Bill 852 (SB 852), which was signed into law in 2022. CRDs are a type of Enhanced Infrastructure Financing District (EIFD) but vary from standard EIFDs in that they exclusively fund climate adaptation and resilience projects. Table 1 describes the main differences between CRDs and EIFDs.

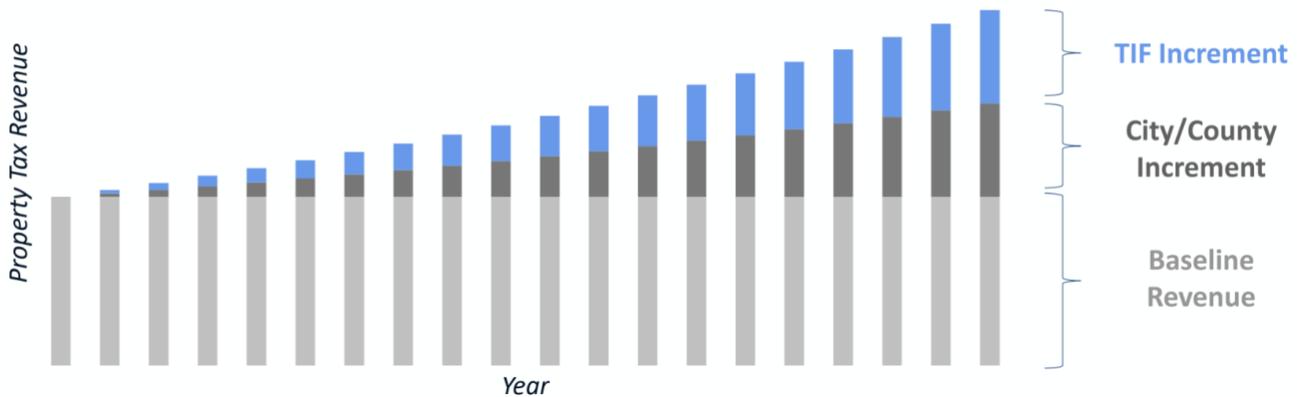
Table 1

<b>CRDs vs EIFDs</b>		
<b>Climate Resilience Districts</b>	<b>Both</b>	<b>Enhanced Infrastructure Financing Districts</b>
<ul style="list-style-type: none"> <li>● Can cover operating expenses, as well as capital and maintenance costs</li> <li>● Authority to impose a special tax or assessment (like Community Facilities Districts), in addition to the authority for tax increment financing</li> <li>● Authority to hire staff</li> </ul>	<ul style="list-style-type: none"> <li>● Can finance climate resilience infrastructure, covering both capital and maintenance expenses</li> <li>● Tax increment financing authority</li> </ul>	<ul style="list-style-type: none"> <li>● Can finance non-climate resilience projects, including affordable housing.</li> </ul>

CRDs utilize Tax Increment Financing (TIF), where a city and/or county designates a geographical boundary called a district. Property tax revenues earned within the district are “frozen” during the base year, which is the year the district is formed. The base year amount is always allocated to the General Fund of participating taxing entities (i.e. cities, counties, and special districts). Property tax revenues earned above the base year amount in succeeding years are known as tax increment. Under a TIF, this tax increment is divided into two portions: a portion that is allocated to the TIF district to fund eligible projects, and a portion that continues to be allocated to the General Fund. Cities, counties, and special districts determine how much tax increment to allocate.

Table 2

**Illustration: Growing Increment can Fund Public Projects**



TIF does not create a new tax or increase the existing tax rate. It reallocates tax money that would have gone to the General Fund towards specific projects in a designated geographic area.

- For most TIF Districts, the assumption is that that tax increment that funds investment in specific infrastructure projects over several decades will increase investment in the area, which increases the value of all the private property in the area, thus increasing the amount of tax revenue to the General Fund that would not have occurred except for formation of the TIF district. Downtown ball parks such as Coors Field in Denver are held up as examples of successful TIFs.
- For a CRD, the goal is to prevent the loss of property values and thus loss of property taxes by investing in projects that will prevent losses due to climate change and accelerate private sector investment due to confidence on the part of private sector investors, developers, and insurance providers that funding is being prioritized for improvements to address climate risks.

Opponents argue that TIF districts can divert funds from public services, increase the risk of gentrification due to rise in property values, limit the Council’s ability to move funds in an emergency, and are not guaranteed to produce additional revenue.

EIFD Establishment and Investment Policy

The City of Los Angeles has an existing EIFD policy which dictates the evaluation and implementation of CRDs (C.F. 14-1349-S1). In December 2023, Council directed the Office of the City Administrative Officer (CAO) and the Office of the Chief Legislative Analyst, with the assistance of EWDD, to update the existing policy (C.F. 23-1107) to account for changes to EIFD legislation and revamped best practices identified since the original policy was adopted in 2019. The new policy is pending.

The City has the option to allocate future property tax revenues to climate projects and issue related debt without forming a CRD. The City could adjust its funding allocations to climate projects year-to-year based on prevailing economic conditions. One advantage to a CRD or other TIF tool is the potential for County participation. With County participation, CRDs effectively double the amount of property tax revenue available to fund CRD projects.

Accordingly, CRD districts are most practicable and advantageous to the City with County participation.

Formal negotiations subject to the County's EIFD policy would need to be authorized by Council motion before City and County Staff could negotiate and officially agree to establish a CRD.

### CRD Funding Sources

CRD's can utilize tax increment to pay for eligible projects as tax increment is earned, or future tax increment can be leveraged to issue bonds. The debt from the bond issuances would be paid with future tax increment. Tax increment is available for up to 45 years from the date of approval of the first bond issuance or a public loan. **CRDs have taxing power. They can also levy benefit assessments, special taxes, property-related fees, or other service charges or fees. This is a significant distinction between CRDs and standard EIFDs, which do not have taxing power. Per State law, voter approval is required for a CRD to implement a new tax.** CRDs can also attract, apply for and receive other sources of funding, such as federal and state grants, and allocations from public and private entities. A comprehensive feasibility study, as detailed later in this report, would be required to evaluate the financial impacts of each funding option to the City's bottom line.

### Infrastructure Financing Plan

Each CRD must adopt an Infrastructure Financing Plan (IFP) which sets forth the details of how a CRD will be implemented. This includes, but is not limited to, the district boundary, participating taxing entities (i.e. city, county, special district), the percentage of tax increment contributed by each agency, the maximum amount of tax increment which may be allocated to the district, the term of the district, and the projects which will be funded. State law requires that any significant amendments to the IFP be adopted by the full governing bodies of participating taxing entities (e.g. City Council, County Board of Supervisors).

### CRD Board

CRDs are governed by a CRD Board (Board), which is a legally constituted governmental entity separate and distinct from the city or county that establishes it. The Board uses its authority granted under State law to implement the IFP. The Board consists of at least 5 members, including two elected officials from the City (or their designees), one elected official from the County (or their designee), and two members of the public (one which is appointed by the City, and the other by the County). The Board can be expanded to include more than the five required members, but it cannot have less. A single Board can govern a single CRD or multiple CRDs, or alternatively, a single CRD can be divided into multiple project areas governed by a single Board.

### Eligible Projects

CRD's can fund capital projects designed and implemented to address climate change mitigation, adaptation, or resilience, including, but not limited to, all of the following:

- A project that addresses river, bay, or sea level rise, or rising groundwater, including wetlands or marsh restoration, vegetated dunes, living shorelines, erosion control, or levees.
- A project that addresses extreme heat or the urban heat island effect, including increasing shade, deploying cool building and surface materials, using cool pavements; constructing, improving, or modifying new or existing facilities; or increasing access to cooling opportunities.

- A project that addresses extreme cold, rain, or snow, including constructing, improving, or modifying new or existing facilities.
- A project that addresses the risk of wildfire, including establishing fire breaks, prescribed burning, structure hardening, or vegetation control.
- A project that addresses drought, including multiuse land repurposing, groundwater replenishment, groundwater storage, or conjunctive use.
- A project that addresses the risk of flooding, including structure elevation or relocation, wetlands restoration, flood easements or bypasses, or levees.

**State law does not address whether private development improvements can be funded by CRDs, and more legal guidance is needed to determine this.** Note that SB 852 explicitly lists the projects above as eligible projects under State law, but the law does not limit potential projects to this list. For example, other potential projects to mitigate the impacts of wildfires might also include:

- Wildfire Prevention & Mitigation
  - Fire-Resistant Infrastructure: Investment in property hardening, fire-resistant materials, and defensible space programs
  - Early Warning Systems: Investments in AI-driven fire detection, remote sensing, and real-time alert systems
- Emergency Preparedness & Response
  - Evacuation Planning: Enhancing road infrastructure and emergency escape routes
  - Community Fire Resilience Hubs: Establishing safe zones with water storage, emergency supplies, and power backups
  - Firefighter Support: Funding additional resources and wildfire response training
- Post-Fire Recovery & Resilience
  - Soil Stabilization & Reforestation: Preventing landslides and erosion in burned areas
  - Smoke and Air Quality Programs: Installing air filtration systems in public buildings and school
  - Homeowner Assistance: Financial aid for rebuilding in a fire-resistant way

These examples and others related to sea level rise, flooding, extreme weather, drought, etc., could be evaluated for eligibility as a part of a comprehensive CRD feasibility study. CRDs can also fund operating, capital and maintenance costs related to climate projects. This is another significant difference between CRDs and EIFDs.

## **CRD EVALUATION AND IMPLEMENTATION**

### Requests to Evaluate CRDs

The City's current process for determining whether to proceed with forming a proposed CRD is as follows (note that this process is subject to change with the forthcoming EIFD policy update):

1. A Council motion instructing EWDD to conduct a preliminary assessment of a proposed EIFD must be introduced and adopted by the City Council (see recommendation above).

2. Based on the EWDD staff's preliminary assessment, EWDD reports to the City Council on whether it appears that forming the proposed EIFD is in the City's economic and fiscal interest.
3. City Council either (a) determines not to proceed with forming the proposed EIFD or (b) approves a motion to conduct a **comprehensive feasibility study** of the proposed EIFD. Should the City Council approve a motion to conduct a comprehensive feasibility study, the motion must include a description of the approximate boundaries of the proposed EIFD, as well as the goals to be achieved.
4. EWDD staff and/or consultants complete a comprehensive feasibility study of the proposed EIFD.
5. Based on the conclusions of the comprehensive feasibility study, the City Council and the Mayor determine whether to proceed with forming the proposed EIFD.

The aim of the comprehensive feasibility study is to enable the City to make an informed determination of whether to proceed with a proposed CRD. The comprehensive feasibility study includes community engagement, and community needs and preferences are incorporated into the study's deliverables. It evaluates key factors including boundary scenarios, market statistics, proposed developments, anticipated infrastructure investments, revenue potential, bonding capacity, infrastructure needs, project costs and benefits, and compliance with the City General Plan, community plans, and local and State legislation, amongst other variables.

The cost to evaluate a CRD can vary widely depending on factors such as the complexity of the district, consultant fees, and the extent of financial and economic analysis required. Consultant fees for comparable City-led EIFD studies have cost about \$250,000 (\$150,000 for analysis and \$100,000 for outreach), but this amount could vary depending on the specific complexities of the proposed CRD. Studies typically include:

- Development and implementation of a stakeholder engagement plan
- Identification and evaluation of boundary scenarios and screening criteria (e.g. current zoning and density, project location and infrastructure needs, potential infrastructure financing solutions, redevelopment agency overlap, publicly available data sources)
- A tax increment analysis estimating district revenue generation, bonding capacity, and fiscal impact, identification of infrastructure and community development investments
- Next steps for implementation, including a draft infrastructure financing plan.

There could be additional City staff costs for project management and administration, as well. Previous City EIFD studies have primarily been funded by grants, and a small percentage of City Staff costs have been funded by the General Fund. The CAO has a prequalified list of consultants which can perform the feasibility study, and EWDD would procure a consultant from this list should the City decide to evaluate a CRD.

#### Process for CRD Formation

The following steps must be taken if the City decides to proceed with forming a CRD:

1. Adopt a Resolution of Intention: Participating taxing entities (i.e. city, county, or special district) must adopt a Resolution of Intention to establish a CRD. The resolution should define the proposed boundaries of the district, identify the climate

resilience projects the district will fund, and declare the intent to establish a Board to oversee the district

2. Establish the Board: The governing bodies of participating taxing entities must create a Board to manage the CRD and appoint its members
3. Develop an IFP: The district must prepare an IFP outlining the specific climate resilience projects to be funded, estimated costs and timelines for each project, projected tax increment revenue, and other funding sources
4. Public Hearing & Community Engagement Process: The Board must hold one public meeting and two public hearings at least 30 days apart to review and refine the IFP before determining whether there is sufficient public support for the CRD. If 25% or more of the combined number of landowners and voters within the district protest formation of the CRD, the Board must reconsider the district. The District cannot move forward if 50% or more of the landowners and voters within the district protest formation
5. Adoption of the Final Resolution: If no majority protest occurs, the Board adopts a final resolution to formally establish the CRD. Voter approval is not required to form the district, but voter approval is required if the district intends to levy taxes. Voter approval would be secured through a tax measure placed on a local election ballot and must meet the required voter thresholds.

It is estimated that it would take 18-36 months to evaluate and form a CRD. The costs to implement a CRD is separate from the costs to evaluate one. The City has not implemented a CRD or EIFD, so there are no internal estimates for implementation costs. Implementation of EIFDs in other cities have cost between \$150,000 and \$550,000. CRDs can reimburse the City for establishment costs, but the City would need to identify a source of funding to cover those costs initially. Given that no EIFDs or CRDs have been formed within the City, it would be expedient for the City to hire a consultant to assist with implementation activities. A consultant can be procured from the CAO's prequalified list for this purpose.

## **CRDs AND ASSESSED VALUE**

The County Assessor will make decisions regarding property values in the Palisades during the recovery period. The Assessor's decisions will have a significant impact on the growth of tax increment and subsequently the feasibility of a CRD, as follows:

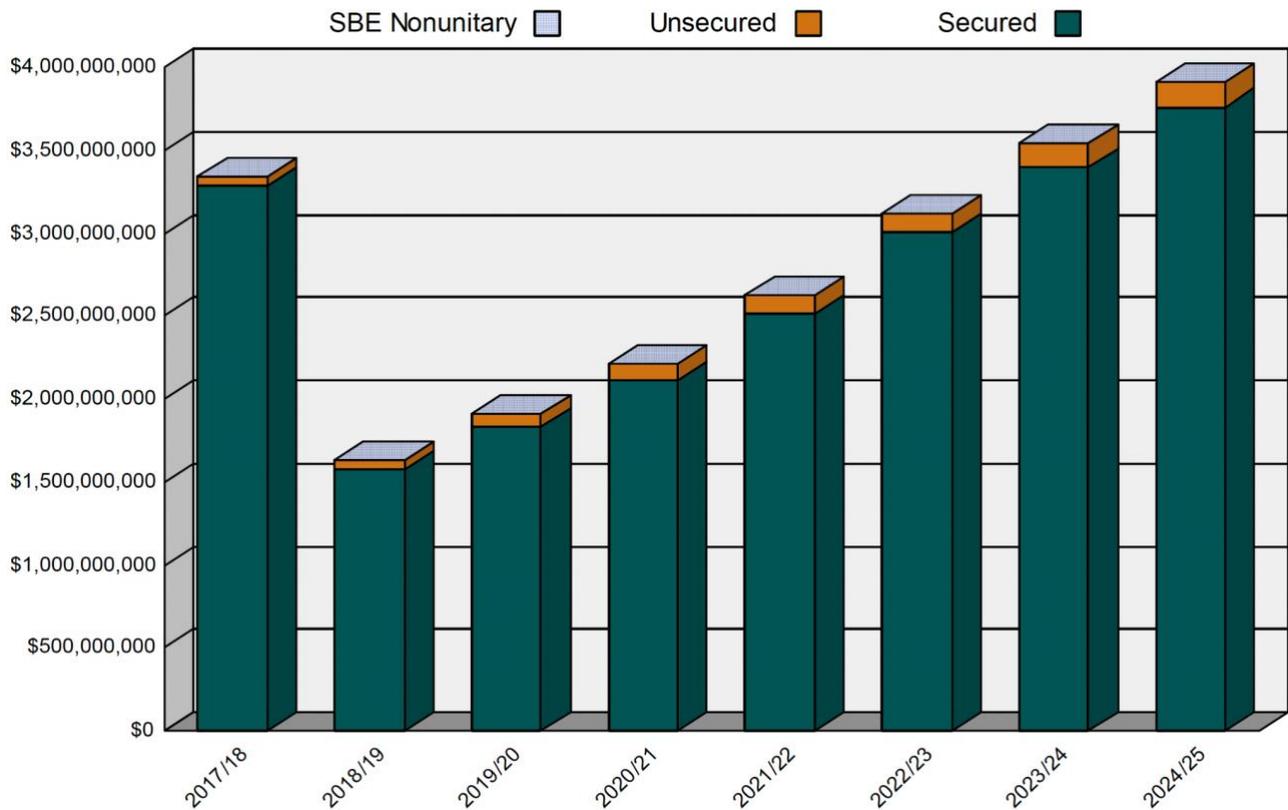
- ***What will be the 2025 assessed value of properties where buildings were destroyed?*** It is believed that the assessed value will be equal to the land value in most cases, though each property is assessed individually. Also, the land value may be temporarily reduced on select lots at property owners request, based on post-fire land sales.
- ***How do property owners rebuild and maintain their pre-fire tax base?*** There are two paths:
  - 1) If the value of the rebuilt property is within 120% of the property's pre-damage value, it will not be re-assessed and property taxes will not go up. Due to the

age of many of the affected homes, rising property values, and cost of construction, it is anticipated that most homeowners will not qualify to keep their pre-damage tax base under this standard.

- 2) If the rebuilt structure is the “Substantial Equivalent” in size and use to the home or other structure that was damaged or destroyed. Substantially Equivalent means that the rebuilt structure is similar to the damaged or destroyed structure in size and use. Any additional square feet over the original home size will be assessed at the value at the year of construction, and that will be added to the pre-fire tax base assessment.

The time it takes to rebuild properties, the number of properties rebuilt, the timing of CRD creation, and factors impacting market value all impact CRD feasibility. For example, if a CRD is formed early in the recovery process, base year revenues will be much lower than revenues before the fire. (See Table 3 for example from the 2017 Tubbs Fire.) Tax increment growth could increase drastically during the recovery period to create significant funding for CRD projects, but revenues that would have previously been allocated to the General Fund would instead be captured by the CRD, reducing the General Fund below its pre-fire level. Inversely, a CRD created later in the recovery period would generate less tax increment for CRD projects, but would replenish more of the value lost by the General Fund

Table 3



THE COUNTY OF SONOMA 2017 TUBBS FIRE  
 NET TAXABLE ASSESSED VALUE HISTORY  
 2017/18 - 2024/25 Taxable Property Values

## **CRDs vs. EIFDs**

CRDs can be used to stimulate assessed value growth that would not otherwise occur like other TIF tools, but the limitation of CRDs to funding climate related projects makes it a less viable option for growth stimulation than other TIF tools like EIFDs. If the goal of the CRD is to fund projects which are limited to mitigating the impacts of climate change, then a CRD is an appropriate tool, but if the district intends to mitigate the impacts of climate change and to grow the area's fiscal tax base, then the City might want to explore implementing an EIFD or related TIF tool, which can fund climate projects and more broadly defined infrastructure projects.

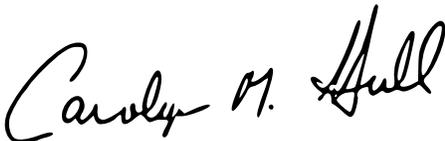
## **CRDs IN THE LONG-TERM**

CRDs are not a short-term funding tool but could be a valuable option for long term infrastructure planning and development. Although TIF Districts generate revenue slowly at first, the revenue dedicated to the district would eventually be substantial and could create a steady funding stream for future projects.

The impacts of climate change will become more intense as time progresses, and CRDs can help support at-risk areas vulnerable to climate change. Climate change will impact many parts of the City, in addition to Pacific Palisades, so the Council will need to determine whether there will be additional CRDs. CRDs could be used to complement State and Local initiatives related to climate resiliency and sustainability, such as the LA Green New Deal and Resilient Los Angeles. However, reduction to the General Fund will be challenging in this fiscal environment.

## **FISCAL IMPACT STATEMENT**

There is no fiscal impact anticipated for the initial assessment recommended in this report. If after the initial assessment is completed, the Council authorizes a comprehensive feasibility study, the impact could be over \$250,000 to the General Fund. If Council proceeds with the CRD, the impact to the General Fund could be significant, but is unknown at this time.



CAROLYN M. HULL  
General Manager

CMH:FJ:BLM:JML