THE CITY OF SAN DIEGO

Report to the City Council

DATE ISSUED:	November 7, 2016	REPORT NO.	16-101
ATTENTION:	Economic Development & Intergovernmental Relations Committee, Agenda of November 17, 2016		
SUBJECT:	Community Revitalization and Investment Authority ("CRIA") Feasibility Study		
REFERENCE:	N/A		

REQUESTED ACTION: Informational Item.

STAFF RECOMMENDATION: Receive and accept the report.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

BACKGROUND

The Economic Development Department in conjunction with Civic San Diego has engaged Keyser Marston Associates ("KMA"), an independent real estate and economic development consulting firm, to 1) conduct a feasibility study of establishing a Community Revitalization and Investment Authority ("CRIA") and 2) compare alternative funding approaches.

CRIA was enacted in September 2015, by the State of California, through Assembly Bill 2 ("AB-2") to provide a tool for local agencies to foster community revitalization and investment in the absence of the former redevelopment program dissolved by the State. AB-2 authorizes local agencies to form a community revitalization authority and permits the authority to adopt a community revitalization and investment plan for eligible areas ("CRIA Plan").

Through a CRIA, authorities have the ability to: 1) use tax increment financing for purposes such as infrastructure, affordable housing and economic revitalization; 2) issue bonds based on tax increment revenue, without voter approval; 3) acquire property, including the ability to use eminent domain.

CRIA ELIGIBILITY

Pursuant to AB-2 and the subsequently approved "clean-up" bill AB-2492 (enacted September 2016), a CRIA Plan area must include a contiguous territory that meets the following criteria:

- At least 80 percent of the area designated in a CRIA Plan area must be characterized by an Annual Median Income (AMI) that is less than 80 percent of the City, County or State AMI, and the area must exhibit three of the four following conditions:
    - Non-seasonal unemployment rate is at least 3 percent higher than the statewide median unemployment;

  - Crime rates at least 5 percent higher than statewide median crime rate;
  - Deteriorated or inadequate infrastructure;
  - Deteriorated commercial or residential structures.
- Alternatively, a contiguous area can qualify as an eligible area if either of the following conditions are met:
  - The area is a former military base principally characterized by deteriorated or inadequate infrastructure and structures;
  - The area is within a "disadvantaged community" as described by Health and Safety Code Section 39711.

CRIA FORMATION AND PLAN

A CRIA may be formed in one of two ways. The legislative body of a sponsoring city or county may adopt a resolution creating a CRIA, a separate legal authority. The CRIA governing body would consist of three members of the legislative body that created the CRIA and two public members (that either live or work within the CRIA Plan area). Alternatively, a combination of local taxing entities may create a CRIA by entering into a joint powers authority. This CRIA governing body would consist of members of the governing bodies that created the CRIA and two public members.

The CRIA governing body is required to adopt a CRIA Plan which sets forth the revitalization and investment plan/activities including, but not limited to: a housing program, the authority to collect property tax increment, fiscal projections, and time limits for establishing and repaying debts/obligations (no more than 30 and 45 years, respectively). Participation by taxing entities to contribute their share of property tax increment generated within the defined CRIA boundary is voluntary. School districts are excluded from participating in a CRIA. A minimum of 25 percent of the tax increment generated within a CRIA Plan area must be set aside and deposited into a Low and Moderate Income Housing Fund (LMIHF) to increase, improve and preserve the supply of affordable housing at defined affordability levels. In addition, affordability restrictions of 45 and 55 years apply to owner-occupied and rental units, respectively, as well as affordable housing replacement and relocation obligations.

The CRIA governing body must hold three noticed public hearings, at least 30 days apart, before adopting a CRIA Plan. If fewer than 25 percent of property owners and residents file a protest, then the CRIA may adopt a CRIA Plan. If 25 to 50 percent of property owners and residents file a protest, then the CRIA must hold an election of the property owners and residents, requiring majority approval for adoption. If greater than 50 percent of property owners and residents file a protest, then the CRIA formation process must terminate.

The legislation creating CRIA is silent regarding the application of the California Environmental Quality Act (CEQA).

ONGOING MONITORING AND REPORTING REQUIREMENTS

CRIA has extensive ongoing accountability and reporting requirements including:

- Every year, a CRIA must adopt an annual report on or before June 30th after holding a public hearing. The report must contain information such as description of projects undertaken, administrative costs, amount of tax increment received, and assessment/status of CRIA projects;

- Every year, a CRIA must prepare an independent financial audit;
- Every five years, beginning in the calendar year in which a CRIA has allocated a cumulative total of more than $1.0 million in tax increment revenue, including any bond proceeds, a CRIA shall contract for an independent audit to determine its compliance with applicable affordable housing requirements; and
- Every ten years a CRIA must conduct a protest proceeding to consider whether the property owners and residents within a Plan area wish to protest against the authority. If a majority protest exists (exceeding 50 percent), the CRIA must not take any further action to implement the plan. If between 25 and 50 percent of property owners and residents file a protest, the CRIA must call for an election of the property owners and residents, and may not take any further action to implement the plan pending the outcome of the election.

POTENTIAL CRIA BOUNDARIES AND REVENUE ASSESSMENT

Based on the eligibility criteria, five potential CRIA boundaries have been identified and assessed in the feasibility study (Attachment 1). The table below presents the five potential boundaries, including their size and total assessed value.

Potential CRIA Boundaries

Potential CRIA Boundary	Approximate Acres	Total Assessed Value FY 2016 ($Billions)
Barrio Logan/ Southeastern/Encanto	6,398	$5.6 B
Liberty Station	449	$0.6 B
Mid-City/City Heights/ College Area	5,279	$8.2 B
Mission Beach/ Old Town San Diego	3,053	$5.8 B
San Ysidro/ South San Diego	2,779	$1.1 B

Projected revenue from each of the boundaries was estimated over the life of a CRIA Plan. The assessment measured potential CRIA Plan area property tax revenue and bond proceeds, based upon certain assumptions, for both capital improvement and low and moderate income housing funds.

The table on the following page presents the potential aggregate revenue based only on the City's approximate 18 percent share of the 1 percent property tax rate derived from each of the potential CRIA Plan areas. These revenues would be collected by the County Auditor-Controller and deposited with and under the administration of a CRIA. These estimates do not assume the voluntary participation of – or contribution from – other taxing entities, and reflect dollars that, in absence of a CRIA, would flow directly and unrestricted to the City's General Fund and under the governance of the municipality.

Total Potential CRIA Revenue
City Share Only

Potential CRIA Boundary	Capital Improvement Fund	Low/Moderate Income Housing Fund
Barrio Logan/ Southeastern/Encanto	$64.0 M	$21.0 M
Liberty Station	$14.0 M	$5.0 M
Mid-City/City Heights/ College Area	$118.0 M	$38.0 M
Mission Beach/ Old Town San Diego	$67.0 M	$22.0 M
San Ysidro/ South San Diego	$12.0 M	$4.0 M

1) Includes bond proceeds and tax increment after bond debt service, in present value.
2) Total through 45 year term.
3) Capital Improvement Fund includes infrastructure/economic development activities.

To measure the significance of adding the County of San Diego as a participating taxing entity to a CRIA, the table below presents the aggregate shared-revenue of both the City and County. The addition of the County as a participating taxing entity essentially doubles the potential revenue.

Total Potential CRIA Revenue
City & County Share

Potential CRIA Boundary	Capital Improvement Fund	Low/Moderate Income Housing Fund
Barrio Logan/ Southeastern/Encanto	$125.0 M	$41.0 M
Liberty Station	$28.0 M	$10.0 M
Mid-City/City Heights/ College Area	$268.0 M	$88.0 M
Mission Beach/ Old Town San Diego	$130.0 M	$43.0 M
San Ysidro/ South San Diego	$23.0 M	$8.0 M

1) Includes bond proceeds and tax increment after bond debt service, in present value.
2) Total through 45 year term.
3) Capital Improvement Fund includes infrastructure/economic development activities.

ALTERNATIVE FUNDING APPROACHES

The feasibility study also compared CRIA with alternative funding sources and approaches. Each funding source and approach was evaluated based on the following metrics:

- Accessibility – How accessible/non-competitive are the funds?
- Efficiency- How efficient are operations and administration?
- Funding – What is the magnitude of annual funding? Low ($0-$5M), Medium ($5-$15 M), High ($15 M+).

The funding sources and approaches evaluated include: tax increment (such as Enhanced Infrastructure Financing District); assessment district (such as Business Improvement District, Maintenance Assessment District); State and Federal programs (such as Community Development Block Grant, New Markets Tax Credit); and City sources and mechanisms (such as Proposition H – Rebuild San Diego, Project-Specific Rebates of Tax Revenues-Council Policy 900-12).

With the exception of Enhanced Infrastructure Financing District (currently under consideration) each of the alternative funding sources and approaches are presently used by or are available to the City of San Diego for economic development, community and infrastructure investment, and affordable housing.

Similarly, there are a number of specific funding sources and programs (also provided by the CRIA statute) presently used by the City of San Diego and Civic San Diego within many of the same communities that would qualify under a CRIA. Attachment 2 presents these funding sources and programs. These funding sources and programs do not necessitate the creation of another State sponsored independent authority (such as a CRIA) with its own governance structure, administrative requirements, and on-going operational obligations.

SUMMARY

California Assembly Bills AB-2 and AB-2492 offer local communities a legal and governance framework for investing local property tax revenue into eligible communities for economic development and affordable housing. AB-2 and AB-2492 are two recent statutes with unproven track records that attempt to address the loss of redevelopment. Based on the discussion above and the feasibility study, the establishment of a CRIA is accompanied by a series of challenges, and at the present time is not recommended to be pursued. These challenges include:

- Although specifically required by the law, the creation of a CRIA, with its own governance structure, administrative requirements and on-going operational obligations, is burdensome and offers no additional substantive benefits;

- Taxing entity participation in a CRIA is voluntary and, unlike redevelopment, limits the ability of the sponsoring authority to pool property tax revenue from other taxing entities;

- Without participation from other taxing entity (ies), a sponsoring authority is effectively redirecting its own unrestricted General Fund dollars to a separate independent authority;

- A CRIA has extensive on-going monitoring and reporting requirements such as: the preparation and adoption of an annual report, the preparation of an annual independent financial audit, and the engagement of an independent audit, every 5 years (based on cumulative revenues) to determine compliance with affordable housing requirements;
- Every 10 years, a CRIA is subject to a protest proceeding, which creates uncertainty relative to program planning, implementation, investment and finance; and
- Based upon the Statute criteria, only certain areas are eligible under a CRIA, which limits the amount of tax increment a CRIA can generate.

As discussed in the feasibility study, there exists alternative funding approaches that are presently in place and used by City of San Diego and Civic San Diego to invest in economic development, infrastructure and affordable housing. These funding approaches do not require the formation of another State sponsored independent authority (CRIA).

With the recent enactment of AB-2 and AB-2492 it is recommended that the City work with its legislative lobbyist to pursue new legislation that could be more effective in accomplishing the same goal.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S):
Goal # 2: Work in partnership with all of our communities to achieve safe and livable neighborhoods.
Objective # 3: Invest in infrastructure.

Goal #3: Create and sustain a resilient and economically prosperous City.
Objective #1: Create dynamic neighborhoods that incorporate mobility, connectivity, and sustainability.
Objective #3: Diversify and grow the local economy.

FISCAL CONSIDERATIONS:
Not applicable as this is an information-only item.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (if applicable):
None.

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS:
There are no previous Council and/or Committee Actions.

COMMUNITY PARTICIPATION AND OUTREACH EFFORTS:
If the establishment of a CRIA and community revitalization and investment plan areas are pursued, community participation and outreach would be inherent and required in the formation and post-adoption governance, along with outreach to potential participating taxing entities.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:
Key stakeholders include communities that meet the eligibility requirements under CRIA and potential taxing entities that may choose to voluntarily participate in a CRIA program.

Erik Caldwell
Director,
Economic Development Department

David Graham
Deputy Chief Operating Officer,
Neighborhood Services

Attachment(s):
1. Community Revitalization and Investment Authority (CRIA) Feasibility Study, Keyser Marston Associates
2. Snapshot Comparison of CRIA Permissible Funding Activities with City of San Diego and Civic San Diego Funding Activities

Attachment 1

KEYSER MARSTON ASSOCIATES.
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

To: Michael Lengyel, Senior Project Manager
Civic San Diego

James R. Davies, Community Development Coordinator
Economic Development Department
City of San Diego

From: KEYSER MARSTON ASSOCIATES, INC.

Date: November 3, 2016

Subject: Community Revitalization and Investment Authority (CRIA) Feasibility Study

I. INTRODUCTION

Pursuant to our contract with Civic San Diego dated March 24, 2016, Keyser Marston Associates, Inc. (KMA) has completed a feasibility analysis of the potential establishment of one or more Community Revitalization and Investment Plans (CRIA Plans) within the City of San Diego (City).

The objective of this analysis was to evaluate the feasibility of establishing a Community Revitalization and Investment Authority (CRIA) in one or more selected qualified areas. As background, in September 2015, California Governor Jerry Brown approved Assembly Bill No. 2 (AB 2) enabling the formation of CRIAs. CRIAs allow for the use of tax increment revenue toward infrastructure, economic development, and affordable housing in disadvantaged neighborhoods. CRIAs enjoy powers somewhat comparable to the former redevelopment agencies, including the ability to adopt a CRIA Plan, issue bonds, provide affordable housing, and exercise eminent domain.

A further objective of this analysis was to identify and compare alternative funding approaches potentially available to the City to invest in public facilities, economic development, community revitalization, and/or affordable housing.

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II. OVERVIEW OF CRIA

The CRIA Plan boundaries must meet the AB 2/AB 2492 criteria specified in Government Code Sections 62001(d) and/or 62001(e). In accordance with Section 62001(d), specifically, at least 80% of the area designated in the CRIA Plan must be characterized by an annual median household income less than 80% of the Statewide, Countywide, or Citywide annual median income. The designated area must also meet three of the following four conditions:

1. Non-seasonal unemployment rate 3% higher than Statewide average annual unemployment rate
2. Crime rates 5% higher than Statewide average crime rate
3. Deteriorated or inadequate infrastructure
4. Deteriorated commercial or residential structures

Alternatively, in accordance with 62001(e), an area can be classified as a CRIA if either of the following conditions are met:

(a) The area is established within a former military base that is principally characterized by deteriorated or inadequate infrastructure and structures

(b) The area is within a disadvantaged community as described in Health and Safety Code (H&SC) Section 39711

The CRIA boundary must consist of contiguous land area. All tax increment funds must be spent within the boundary, with limited exceptions for replacement housing.

Other key features of the law include:

- Only the City and non-school district taxing agencies may contribute their tax increment to the CRIA. Other than the City, the largest taxing agency eligible to participate would be the County. As an example, the City of San Diego receives an average 18% share of the 1.0% property tax rate.

- Once established, the CRIA is governed by an independent authority consisting of three (3) members of the legislative body (City Council) and two (2) public members who live or work within the boundary.

- Formation of a CRIA Plan requires three (3) public hearings at least 30 days apart. If fewer than 25% of property owners and residents file a protest, then the CRIA may adopt the CRIA Plan. If 25% to 50% of property owners and residents file a protest, then the CRIA must suspend efforts to adopt the CRIA Plan and hold an election of the property owners and residents, requiring majority approval for adoption. If greater than 50% of property owners and residents file a protest, then efforts to adopt the CRIA Plan must terminate.

- The CRIA must set aside a minimum of 25% of all tax increment for a Low and Moderate Income Housing Fund to be used to increase, improve, and preserve the community's supply of Low- and Moderate-income housing. Importantly, the CRIA Plan must incorporate a prohibition on reducing the number of housing units (including the number of bedrooms in those units) occupied by Extremely Low, Very Low, and Low Income households during the CRIA term.

- CRIA law includes extensive requirements regarding annual reporting, including an independent financial audit and a public hearing. On a five-year basis, the CRIA must contract for an independent audit of its compliance with the housing requirements.

- Every 10 years, the CRIA must hold a public hearing and conduct a protest proceeding to consider whether the property owners and residents wish to continue implementation of the CRIA Plan. If there is a protest exceeding 50%, the CRIA may not take any further action to implement the CRIA Plan. If there is a 25%-50% protest, the CRIA may not take any further action to implement the CRIA Plan and must hold an election of the property owners and residents before proceeding. If a majority of voters do not approve continued implementation of the CRIA Plan, the CRIA may not take any further action to implement the CRIA Plan.

The above overview of CRIA law is not intended to be comprehensive, nor should it be construed in any way as legal advice. The reader should directly consult Government Code Sections 62000 et seq. and seek advice and interpretation from his/her own legal counsel.

III. POTENTIAL CRIA BOUNDARIES

KMA worked with subconsultant Compass Rose GIS to define CRIA boundaries within the City that met the above eligibility criteria. The largest potential CRIA boundary for each area was formed under the requirements set forth in AB 2 (prior to the passing of AB 2492) and assumed not less than 80% of the land was characterized by the following criteria: (1) median household income less than 80% of the State, (2) crime rates 5% higher than the State, (3) deteriorated or inadequate infrastructure, and (4) deteriorated commercial or residential structures. Moreover, 20% of the land was not subject to the above criteria, allowing for a larger boundary. Numerous potential boundaries can be determined using these criteria. The efforts conducted for this study resulted in five potential CRIA study areas, as shown in the attached maps (Exhibits A - E). These boundaries are illustrative representations subject to further evaluation and are therefore subject to change. For purposes of this feasibility analysis, the five CRIA study areas are referenced as follows:

- Barrio Logan/Southeastern/Encanto (Exhibit A; this study area encompasses the recently established Promise Zone, identified by a light blue overlay on the map; this area also directly abuts Mid-City/City Heights/College Area)
- Liberty Station (Exhibit B)
- Mid-City/City Heights/College Area (Exhibit C; this area directly abuts Barrio Logan/Southeastern/Encanto)
- Mission Beach/Old Town San Diego (Exhibit D)
- San Ysidro/South San Diego (Exhibit E)

Compass Rose GIS further compiled total assessed value trends over the previous five years for each CRIA study area. Using these potential boundaries and assessed value trends, KMA then prepared projections of tax increment and bonding capacity for each CRIA study area.

IV. ASSESSED VALUE TRENDS

The following table summarizes the existing total assessed value within each potential CRIA boundary. As shown, the Mid-City/City Heights/College Area is the largest area as measured by assessed value, at $8.2 billion, followed by Mission Beach/Old Town San Diego and Barrio Logan/Southeastern/Encanto, at $5.8 and $5.6 billion, respectively. By contrast, San Ysidro/South San Diego and Liberty Station are relatively small, measured at $1.1 and $0.6 billion, respectively.

Potential CRIA Boundary	Approximate Land Area (Acres)	Total Assessed Value, FY 2016 ($ Billions)	Average Annual Increase, FY 2012 – FY 2016
Barrio Logan/Southeastern/Encanto	6,398	$5.6 B	4.2%
Liberty Station	449	$0.6 B	2.8%
Mid-City/City Heights/College Area	5,279	$8.2 B	4.8%
Mission Beach/Old Town San Diego	3,053	$5.8 B	4.2%
San Ysidro/South San Diego	2,779	$1.1 B	3.7%

The table also identifies the average annual assessed value growth for each potential CRIA boundary for the period FY 2012 through FY 2016. As shown, the three larger areas – Barrio Logan/Southeastern/Encanto, Mid-City/City Heights/College Area, and Mission Beach/Old Town

San Diego – all grew at average annual rates in the 4.0% to 5.0% range. Assessed value in San Ysidro/South San Diego grew at an average annual rate of 3.7%; while Liberty Station experienced the lowest assessed value increases, averaging 2.8% annually. A more detailed analysis of assessed value growth is presented in Tables 1-5.

V. TAX INCREMENT AND BONDING CAPACITY ASSUMPTIONS

KMA prepared 45-year tax increment projections for each potential CRIA boundary. The KMA projections assumed an average annual growth rate of 3.0%. This estimated growth rate is based in part on recent historic assessed value growth, supplemented by review of the City's FY 2017 – 2021 Five-Year Financial Outlook. Additionally, KMA incorporated three hotel developments totaling 650 rooms into the Liberty Station projection. The tax increment projection also considers the City's share of the 1.0% property tax, which generally ranges from 15.6% to 20.9% across the five potential CRIA boundaries. Finally, the tax increment projections make an allowance for the recently passed Proposition H, which sets aside 50% of incremental tax revenues during the first five years for a separate Citywide Infrastructure Fund. These assumptions are summarized in the table below.

Tax Increment Projections	Assumptions
Assessed Value Escalation	3.0%/year
New Development	650 hotel rooms @ Liberty Station
City Share of 1.0% Property Tax	15.6% - 20.9% range
Set-Aside for Proposition H – Infrastructure Fund	50% from FY 2018 thru FY 2022

Using the 45-year tax increment projections, KMA prepared estimates of future bonding capacity based on a range of underwriting assumptions. These assumptions, summarized in the table below, were developed in consultation with City staff. For illustrative purposes, the KMA model assumes that the CRIA issues bonds in Years 4, 7, 10, 13, 17, and 20. KMA also assumes that the CRIA and CRIA Plan do not receive a majority protest during its decennial reporting/public hearing. In other words, sufficient tax increment revenues must be flowing before the CRIA can raise bond funds secured by the tax increment stream. All available funds – future bond proceeds and remaining tax increment after debt service – are then expressed in present value terms for ease of comparison among the alternative CRIA boundaries. KMA assumed a 6.0% discount rate in the present value calculation, reflecting the City's cost of funds.

Bonding Capacity Projections	Assumptions
Debt Service Coverage	1.50 DSC
Interest Rate	5.5% tax-exempt 6.5% taxable
Discount Rate for Present Value	6.0%

A more detailed description of assumptions to the tax increment/bond financing model is presented in Table 6.

VI. TOTAL POTENTIAL FUNDING

The following tables summarize the KMA findings regarding total potential funding from each CRIA boundary considered in this study, a more detailed analysis is presented in Table 7. Figures include future bond proceeds and all remaining tax increment after debt service for the 45-year term. All figures are expressed in present value terms. The first chart reflects a "City only" scenario, that is, no other taxing agencies participate in the CRIA. The second chart assumes that both the City and County participate in the CRIA, at 100% of their respective shares of the 1.0% property tax.

As shown in the "City only" scenario, the Mid-City/City Heights/College Area CRIA boundary generates the greatest potential funding, estimated as $118.0 million in Capital Improvement funds (i.e., infrastructure and economic development) and $38.0 million in Low and Moderate Income Housing funds. Potential funding outcomes for the Barrio Logan/Southeastern/Encanto and Mission Beach/Old Town San Diego boundaries were approximately one-half of this level, respectively $64.0 and $67.0 million in Capital Improvement funds, and $21.0 and $22.0 million in Low and Moderate Income Housing funds. The remaining CRIA boundaries generated substantially less funding, as detailed below.

Total Potential Funding: City Share Only			
		CRIA Funds	
Potential CRIA Boundary	Proposition H - Infrastructure Fund	Capital Improvement Funds (75%)	Low and Moderate Income Housing Funds (25%)
Barrio Logan/Southeastern/Encanto	$1.9 M	$64.0 M	$21.0 M
Liberty Station	$0.6 M	$14.0 M	$5.0 M
Mid-City/City Heights/College Area	$3.4 M	$118.0 M	$38.0 M
Mission Beach/Old Town San Diego	$1.9 M	$67.0 M	$22.0 M
San Ysidro/South San Diego	$0.3 M	$12.0 M	$4.0 M

The County's share of the 1.0% property tax is generally comparable to, or slightly higher than, the City's share. Therefore, as shown below, the total funding estimates in the "City and County" scenario reflect approximately double the total funding estimates in the "City only" scenario.

Total Potential Funding: City + County Share

		CRIA Funds	
Potential CRIA Boundary	**Proposition H - Infrastructure Fund**	**Capital Improvement Funds (75%)**	**Low and Moderate Income Housing Funds (25%)**
Barrio Logan/Southeastern/Encanto	$1.9 M	$125.0 M	$41.0 M
Liberty Station	$0.6 M	$28.0 M	$10.0 M
Mid-City/City Heights/College Area	$3.4 M	$268.0 M	$88.0 M
Mission Beach/Old Town San Diego	$1.9 M	$130.0 M	$43.0 M
San Ysidro/South San Diego	$0.3 M	$23.0 M	$8.0 M

VII. ALTERNATIVE FUNDING APPROACHES

A further objective of this study was to identify and compare alternative funding approaches potentially available to the City. KMA compiled a summary overview of other potential funding tools and incentives available to the City to achieve economic revitalization, public infrastructure, and other community reinvestment activities. In addition to CRIA, KMA identified a total of nine alternative funding approaches. These included a range of tax increment financing/assessment districts, State and Federal programs, and City sources/mechanisms. Many of these approaches are already in use within the City, including Assessment Districts, New Markets Tax Credits, and Public Benefits Zoning (density bonuses in exchange for public infrastructure). Comparative profiles of the nine approaches, along with CRIA law and California Community Redevelopment Law (CRL, dissolved in 2012), are presented in Exhibit F.

The KMA evaluation of alternative funding approaches focused on the following key parameters:

- *Accessibility:* How accessible/non-competitive are funds to the City?
- *Efficiency:* How efficient are operations and administration, once the financing entity/source is established?
- *Funding:* What is the magnitude of annual funding? Low ($0-$5 M), Medium ($5-$15 M), High ($15 M+).

The chart on the following page summarizes the KMA rankings of these 11 funding approaches (former Redevelopment, CRIA law, and nine alternative programs). Rankings were determined based on review of program requirements, competitive application processes, administrative requirements, and potential financial outcomes. All rankings should be considered illustrative only for purposes of this comparative evaluation. As a comparative baseline, KMA ranked Redevelopment as High/Medium/High, that is, it was relatively easy to establish; medium efficiency in terms of administration and operation; and generated high potential funding. On the other hand, KMA ranks CRIA law as Medium/Low/Medium, reflecting the complex process for establishment; low efficiency in terms of administration and operation; and medium potential funding.

As shown in the chart, programs ranked entirely High and/or Medium across all three variables were: Enhanced Infrastructure Financing Districts (EIFDs, High/Medium/Medium); Community Development Block Grant (CDBG) funds/Section 108 Loans (High/Medium/Medium); Proposition H – Infrastructure Fund (High/High/High); and Redevelopment Property Tax Trust Fund (RPTTF) "Boomerang" Funds (High/High/Medium). CRIA and EIFDs are two of the post-Redevelopment tax increment financing tools enacted by the State. A more detailed comparison of these two programs is presented in Exhibit G.

Summary of Alternative Funding Sources

	Tax Increment Financing/Assessment Districts				State and Federal Programs			City Sources/Mechanisms			
	Redevelopment	Assessment Districts	CRIAs	EIFDs	CDBG/ HUD Section 108 Loans	New Markets Tax Credits	California Investment and Economic Development Bank (I-Bank)	Project-Specific Rebates of Tax Revenue	Public Benefits Zoning	Proposition H – Infrastructure Fund	RPTTF "Boomerang" Funds
	Dissolved 2012	**Existing**	**Potential**	**Potential**	**Existing**	**Existing**	**Existing**	**Existing**	**Existing**	**Existing**	**Potential**
Accessibility	HIGH	MEDIUM	MEDIUM	HIGH	HIGH	LOW	LOW	MEDIUM	LOW	HIGH	HIGH
Efficiency	MEDIUM	MEDIUM	LOW	MEDIUM	MEDIUM	LOW	MEDIUM	HIGH	MEDIUM	HIGH	HIGH
Funding	HIGH	LOW	MEDIUM	MEDIUM	MEDIUM	MEDIUM	HIGH	LOW	LOW	HIGH	MEDIUM

VIII. LIMITING CONDITIONS

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.

2. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.

3. The analysis, opinions, recommendations and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

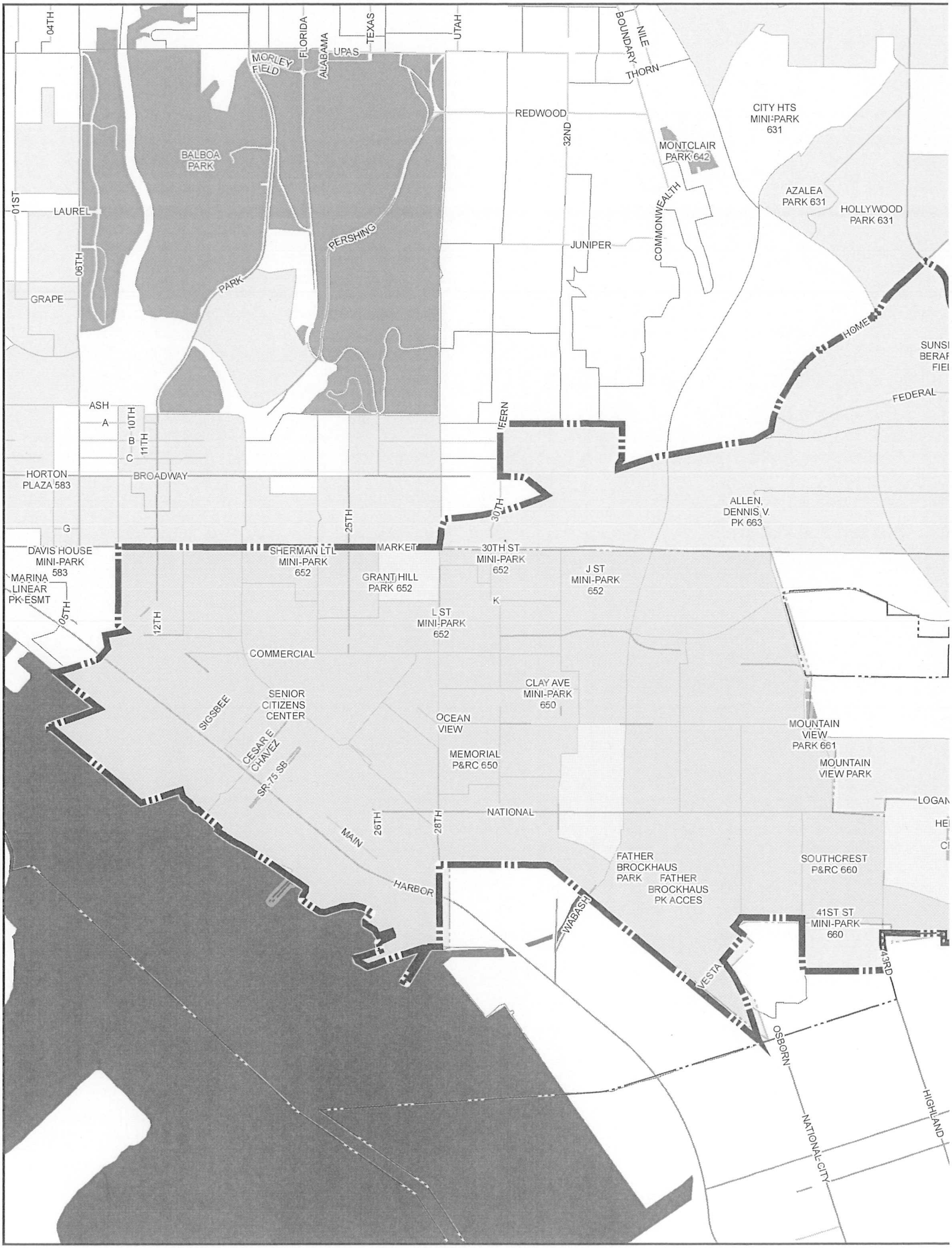
4. KMA assumes that all applicable laws and governmental regulations in place as of the date of this document will remain unchanged throughout the projection period of our analysis. In the event that this does not hold true, i.e., if any tax rates change, the analysis would need to be revised.

5. The projection reflects KMA's understanding of the assessment and tax apportionment procedures employed by the County. The County procedures are subject to change as a reflection of policy revisions or legislative mandate. Assumptions have also been made that unitary tax revenues will continue to be allocated in the manner discussed herein and that legislatively-mandated payments to the State will not be required in future fiscal years.

6. No assurances are provided by KMA as to the certainty of the projected tax increment revenues shown in this document. Actual revenues may be higher or lower than what has been projected and are subject to valuation changes resulting from new developments or transfers of ownership not specifically identified herein, actual resolution of outstanding appeals, future filing of appeals, or the non-payment of taxes due.

7. This analysis was completed under the requirements set forth by AB 2 (September 2015), before the adoption of AB 2492 (September 2016). As such, further evaluation subject to the provisions of AB 2492 may yield alternative boundaries that differ from those analyzed in this study.

attachments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FLORIDA
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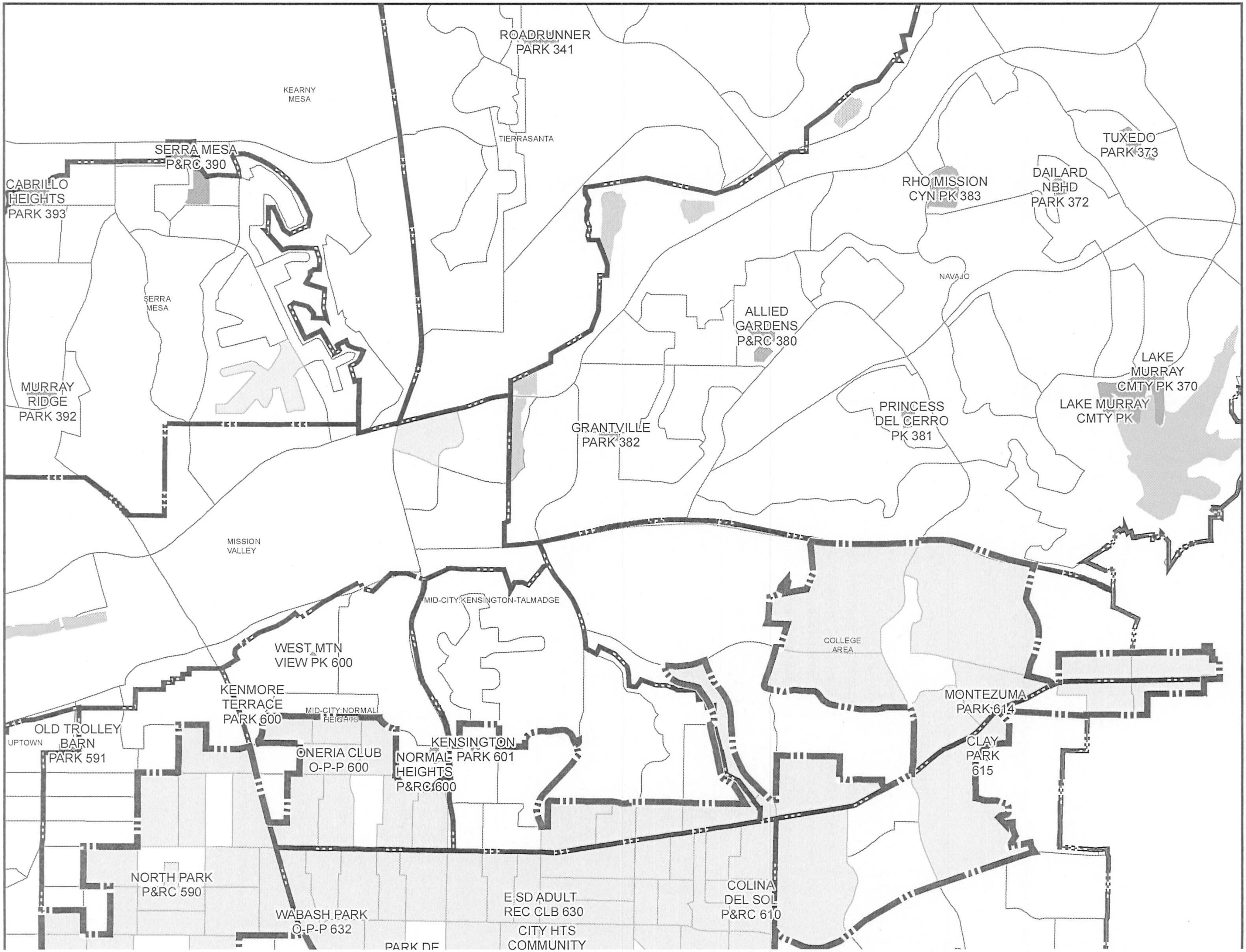
TEXAS
UTAH
NILE
BOUNDARY
UPAS
MORLEY FIELD
THORN
REDWOOD
32ND
CITY HTS MINI-PARK 631
MONTCLAIR PARK 642
BALBOA PARK
01ST
LAUREL
AZALEA PARK 631
HOLLYWOOD PARK 631
PERSHING
JUNIPER
COMMONWEALTH
06TH
PARK
GRAPE
HOME
FEDERAL
ASH
A
10TH
B
11TH
C
FERN
HORTON PLAZA 583
BROADWAY
30TH
25TH
ALLEN, DENNIS V. PK 663
G
DAVIS HOUSE MINI-PARK 583
SHERMAN LTL MINI-PARK 652
MARKET
30TH ST MINI-PARK 652
J ST MINI-PARK 652
MARINA LINEAR PK ESMT
GRANT HILL PARK 652
05TH
K
12TH
L ST MINI-PARK 652
COMMERCIAL
CLAY AVE MINI-PARK 650
SIGSBEE
SENIOR CITIZENS CENTER
OCEAN VIEW
MOUNTAIN VIEW PARK 661
CESAR E CHAVEZ
MEMORIAL P&RC 650
MOUNTAIN VIEW PARK
SR-75 SB
LOGAN
26TH
28TH
NATIONAL
MAIN
FATHER BROCKHAUS PARK
FATHER BROCKHAUS PK ACCES
SOUTHCREST P&RC 660
HARBOR
WABASH
41ST ST MINI-PARK 660
VESTA
43RD
OSBORN
HIGHLAND
NATIONAL CITY


TUSCALOOSA
SHOUP
MENDONCA
MANITOWOC
MIRA MONTE
LITTLE
NEVILLE
ROSECRANS
DURHAM RIDGE
ST CHARLES
BARNETT
CHAUNCEY
NORTH EVERGREEN
HERMITAGE VIEW
CADIZ
DECATUR
PERRY
MADRID
TRUXTUN
SIMS
RALEIGH
MALAGA
WOODWORTH
JOHN PAUL JONES
NTC PARK PROPERTY
SEVILLE
SHADOWLAWN
EVERGREEN
KINGSLEY
NTC GATE 3
DEWEY
MAYO
JAMES
IBSEN
PORTER
HOMER
ROOSEVELT
WOMBLE
GOLDSMITH
WING
LOCUST
LARGA
FREEMAN
WISTERIA
OLEANDER
CHATSWORTH
DUMAS
CURTIS
HYACINTH
AZALEA
BROWNING
ELLIOTT
LOTUS
PLUMOSA PARK 562
PLUMOSA
AMARYLLIS
NARCISSUS
ZOLA
EDITH
WILLOW
WHITTIER
YONGE
CLOVE
WESTCLIFFE
POINSETTIA
JONQUIL
NIPOMA
ALLEY
ALCOTT
PLUM
UDALL
PRIVATE
VOLTAIRE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KEARNY MESA
TIERRASANTA
SERRA MESA P&RC 390
CABRILLO HEIGHTS PARK 393
SERRA MESA
MURRAY RIDGE PARK 392
MISSION VALLEY
TUXEDO PARK 373
DAILARD NBHD PARK 372
RHO MISSION CYN PK 383
NAVAJO
ALLIED GARDENS P&RC 380
LAKE MURRAY CMTY PK 370
LAKE MURRAY CMTY PK
PRINCESS DEL CERRO PK 381
GRANTVILLE PARK 382
MID-CITY:KENSINGTON-TALMADGE
COLLEGE AREA
WEST MTN VIEW PK 600
KENMORE TERRACE PARK 600
MID-CITY:NORMAL HEIGHTS
OLD TROLLEY BARN PARK 591
UPTOWN
ONERIA CLUB O-P-P 600
NORMAL HEIGHTS P&RC 600
KENSINGTON PARK 601
MONTEZUMA PARK 614
CLAY PARK 615
NORTH PARK P&RC 590
WABASH PARK O-P-P 632
E SD ADULT REC CLB 630
CITY HTS COMMUNITY
COLINA DEL SOL P&RC 610
PARK DE


CADMAN
P&RC 460
MT ETNA
PARK 452
LA JOLLA
SESSIONS, K O MEM PK 512
BIRD ROCK
PARK 504
TOURMALINE
SURFING
PK 511
CLAIREMONT
P&RC 420
CLAIREMONT
MESA
PACIFIC
BEACH
PACIFIC
BEACH
P&RC 510
CAMPLAND
PARK 522
PACIFIC
BEACH
PARK 511
WESTERN
HILLS
PARK 421
MISSION
BAY PARK
MISSION
BAY PARK
MISSION
BEACH
MISSION
BEACH
PARK 530
TECOLOTE
P&RC 410
LINDA

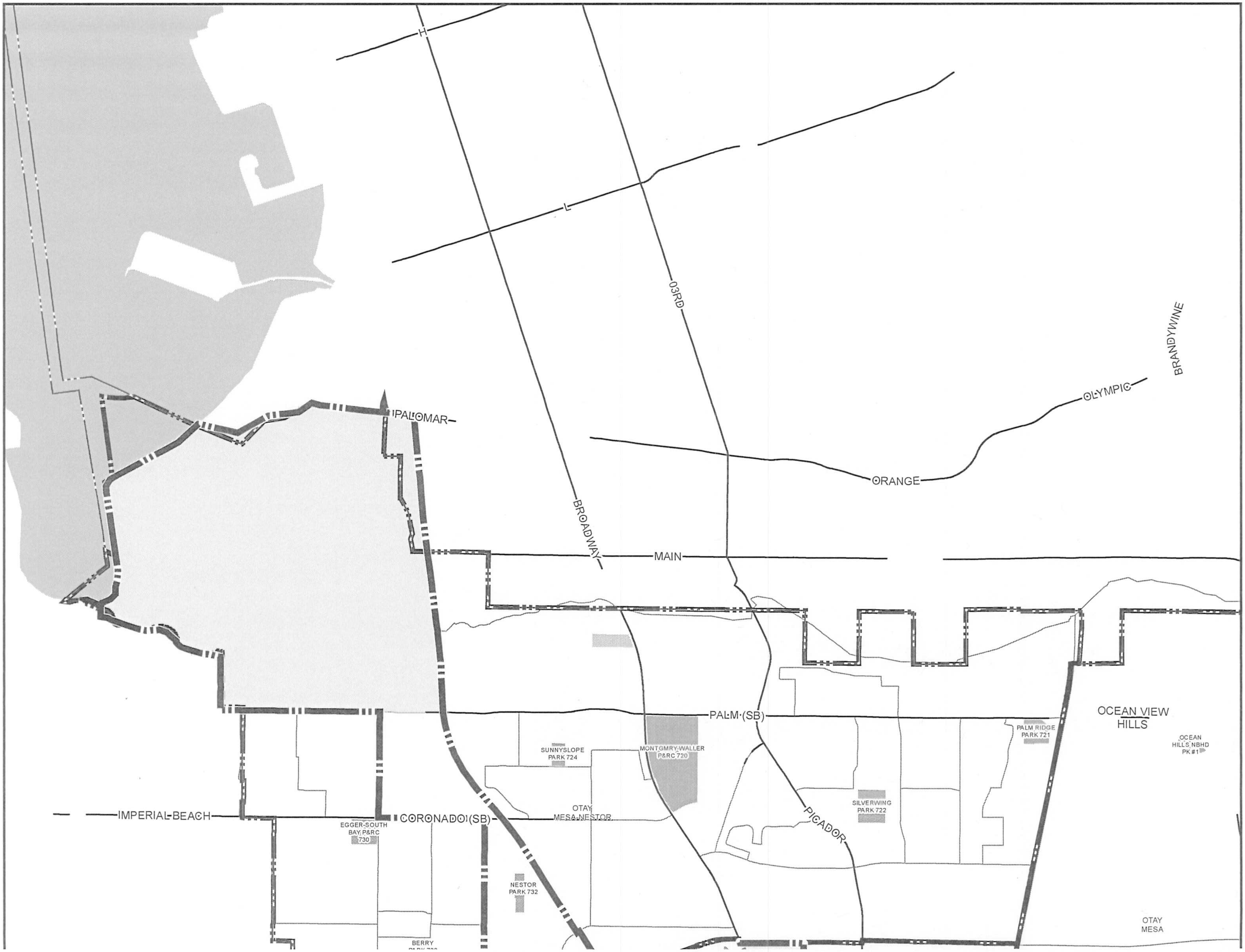
H
L
03RD
BROADWAY
BRANDYWINE
OLYMPIC
ORANGE
PALOMAR
MAIN
PALM (SB)
OCEAN VIEW HILLS
OCEAN HILLS NBHD PK #1
PALM RIDGE PARK 721
SUNNYSLOPE PARK 724
MONTGMRY-WALLER P&RC 720
SILVERWING PARK 722
PICADOR
IMPERIAL BEACH
CORONADO (SB)
OTAY MESA-NESTOR
EGGER-SOUTH BAY P&RC 730
NESTOR PARK 732
BERRY
OTAY MESA

TABLE 1

EXISTING ASSESSED VALUE, FY 2012 - FY 2017
CRIA FEASIBILITY ANALYSIS
CIVIC SAN DIEGO

	Year	Land Assessed Value	Improved Assessed Value	Total Taxable Assessed Value	*Annual Growth Rate*
I. Existing Assessed Value (1)					
A.	FY 2012	$2,027,414,646	$2,695,448,732	$4,722,863,378	---
B.	FY 2013	$2,111,842,218	$2,777,863,076	$4,889,705,294	*3.5%*
C.	FY 2014	$2,255,033,990	$2,964,311,097	$5,219,345,087	*6.7%*
D.	FY 2015	$2,214,427,275	$2,933,368,055	$5,147,795,330	*-1.4%*
E.	FY 2016	$2,360,925,083	$3,198,823,255	$5,559,748,338	*8.0%*
Average Annual Growth, FY 2012 - FY 2016					*4.2%*
II. Estimated Assessed Value (2)					
A.	FY 2017	$2,459,204,495	$3,331,982,275	$5,791,186,770	

(1) Source: SanGIS, Compass Rose GIS.
(2) KMA estimate based on average annual growth rate for FY 2012 to FY 2016.

TABLE 2

EXISTING ASSESSED VALUE, FY 2012 - FY 2017
CRIA FEASIBILITY ANALYSIS
CIVIC SAN DIEGO

	Year	Land Assessed Value	Improved Assessed Value	Total Taxable Assessed Value	*Annual Growth Rate*
I. Existing Assessed Value (1)					
A.	FY 2012	$209,925,585	$336,130,550	$546,056,135	---
B.	FY 2013	$213,660,197	$346,055,466	$559,715,663	*2.5%*
C.	FY 2014	$232,190,782	$367,240,867	$599,431,649	*7.1%*
D.	FY 2015	$232,190,782	$367,240,867	$599,431,649	*0.0%*
E.	FY 2016	$230,729,041	$378,826,391	$609,555,432	*1.7%*
Average Annual Growth, FY 2012 - FY 2016					*2.8%*
II. Estimated Assessed Value (2)					
A.	FY 2017	$237,162,620	$389,389,472	$626,552,092	

(1) Source: SanGIS, Compass Rose GIS.
(2) KMA estimate based on average annual growth rate for FY 2012 to FY 2016.

TABLE 3

EXISTING ASSESSED VALUE, FY 2012 - FY 2017
CRIA FEASIBILITY ANALYSIS
CIVIC SAN DIEGO

	Year	Land Assessed Value	Improved Assessed Value	Total Taxable Assessed Value	*Annual Growth Rate*
I. Existing Assessed Value (1)					
A.	FY 2012	$3,309,563,902	$3,477,981,217	$6,787,545,119	---
B.	FY 2013	$3,443,798,684	$3,665,929,392	$7,109,728,076	*4.7%*
C.	FY 2014	$3,685,823,088	$3,950,568,165	$7,636,391,253	*7.4%*
D.	FY 2015	$3,677,707,347	$3,947,918,341	$7,625,625,688	*-0.1%*
E.	FY 2016	$3,913,673,794	$4,269,999,537	$8,183,673,331	*7.3%*
Average Annual Growth, FY 2012 - FY 2016					*4.8%*
II. Estimated Assessed Value (2)					
A.	FY 2017	$4,101,035,353	$4,474,419,684	$8,575,455,037	

(1) Source: SanGIS, Compass Rose GIS.
(2) KMA estimate based on average annual growth rate for FY 2012 to FY 2016.

TABLE 4

EXISTING ASSESSED VALUE, FY 2012 - FY 2017
CRIA FEASIBILITY ANALYSIS
CIVIC SAN DIEGO

	Year	Land Assessed Value	Improved Assessed Value	Total Taxable Assessed Value	*Annual Growth Rate*
I. Existing Assessed Value (1)					
A.	FY 2012	$3,054,570,710	$1,816,806,108	$4,871,376,818	---
B.	FY 2013	$3,225,059,280	$1,929,794,208	$5,154,853,488	*5.8%*
C.	FY 2014	$3,462,942,731	$2,007,722,858	$5,470,665,589	*6.1%*
D.	FY 2015	$3,459,275,046	$2,005,625,124	$5,464,900,170	*-0.1%*
E.	FY 2016	$3,664,704,599	$2,088,697,116	$5,753,401,715	*5.3%*
Average Annual Growth, FY 2012 - FY 2016					*4.2%*
II. Estimated Assessed Value (2)					
A.	FY 2017	$3,820,385,751	$2,177,427,534	$5,997,813,285	

(1) Source: SanGIS, Compass Rose GIS.
(2) KMA estimate based on average annual growth rate for FY 2012 to FY 2016.

TABLE 5

EXISTING ASSESSED VALUE, FY 2012 - FY 2017
CRIA FEASIBILITY ANALYSIS
CIVIC SAN DIEGO

	Year	Land Assessed Value	Improved Assessed Value	Total Taxable Assessed Value	*Annual Growth Rate*
I. Existing Assessed Value (1)					
A.	FY 2012	$381,229,264	$597,861,038	$979,090,302	---
B.	FY 2013	$393,052,252	$640,992,882	$1,034,045,134	*5.6%*
C.	FY 2014	$413,952,453	$668,195,700	$1,082,148,153	*4.7%*
D.	FY 2015	$398,981,829	$661,537,747	$1,060,519,576	*-2.0%*
E.	FY 2016	$420,138,885	$712,214,344	$1,132,353,229	*6.8%*
Average Annual Growth, FY 2012 - FY 2016					*3.7%*
II. Estimated Assessed Value (2)					
A.	FY 2017	$435,695,096	$738,585,045	$1,174,280,141	

(1) Source: SanGIS, Compass Rose GIS.
(2) KMA estimate based on average annual growth rate for FY 2012 to FY 2016.

TABLE 6

KEY ASSUMPTIONS TO TAX INCREMENT/BOND FINANCING MODEL
CRIA FEASIBILITY ANALYSIS
CIVIC SAN DIEGO

	Potential CRIA Boundaries		
I. Assessed Value Assumptions, FY 2017 ($000s) (1)			
A. Barrio Logan/Southeastern/Encanto	$5,791,000		
B. Liberty Station	$627,000		
C. Mid-City/City Heights/College Area	$8,575,000		
D. Mission Beach/Old Town San Diego	$5,998,000		
E. San Ysidro/South San Diego	$1,174,000		
II. Assessed Value Escalation Factors			
A. Barrio Logan/Southeastern/Encanto	3.00%		
B. Liberty Station	3.00%		
C. Mid-City/City Heights/College Area	3.00%		
D. Mission Beach/Old Town San Diego	3.00%		
E. San Ysidro/South San Diego	3.00%		
III. New Hotel Development			
A. Liberty Station	Rooms	Year Developed	Assessed Value Per Room
Hotel 1	181	Year 2	$275,000
Hotel 2	222	Year 4	$275,000
Hotel 3	247	Year 6	$275,000
B. Annual Escalation			
Before Completion		3.00%	
After Completion		3.00%	

(1) KMA estimate based on average annual growth rates for FY 2012 to FY 2016.

TABLE 6 (CONT'D.)

KEY ASSUMPTIONS TO TAX INCREMENT/BOND FINANCING MODEL
CRIA FEASIBILITY ANALYSIS
CIVIC SAN DIEGO

	Potential CRIA Boundaries
IV. City Projection of Property Tax Increment	
A. City Share of 1.0% Property Tax (Approximate)	
Barrio Logan/Southeastern/Encanto	17.1%
Liberty Station	20.9%
Mid-City/City Heights/College Area	20.9%
Mission Beach/Old Town San Diego	17.1%
San Ysidro/South San Diego	15.6%
B. City Adjustment for Proposition H (FY 2018 to FY 2022)	50.0%
V. County Projection of Property Tax Increment	
A. County Share of 1.0% Property Tax (Approximate)	
Barrio Logan/Southeastern/Encanto	15.7%
Liberty Station	20.6%
Mid-City/City Heights/College Area	26.2%
Mission Beach/Old Town San Diego	15.7%
San Ysidro/South San Diego	14.4%
VI. Low and Moderate Income Housing Fund	
A. City - Set-Aside	25.0%
B. County - Set-Aside	25.0%
VII. Bond Financing Assumptions	
A. Debt Service Coverage	1.50
B. Interest Rate	
Low/Moderate Income Housing	Taxable rate of 6.5%
Capital Improvement	Blended rate of 6.0%, reflecting mix of taxable 6.5% and tax-exempt 5.5%
C. Issuance Cost/Debt Service Reserve	10%
D. Term (Years)	
Bonds 1,2,3	30
Bonds 4,5,6	20
E. Years Bonds Issued	4, 7, 10, 13, 17, 20
F. Discount Rate	6.0%

TABLE 7

TOTAL NET BOND PROCEEDS AND TAX INCREMENT BY SCENARIO
CRIA FEASIBILITY ANALYSIS
CIVIC SAN DIEGO

($000s)	Set-Aside (Proposition H)		Capital Improvement Funds (Non-Housing) (2)				Low and Moderate Income Housing Funds (2)			
	City Only		City Share Only		City + County		City Share Only		City + County	
	Future Value (FV)	Net Present Value (NPV) (1)	Future Value (FV)	Net Present Value (NPV) (1)	Future Value (FV)	Net Present Value (NPV) (1)	Future Value (FV)	Net Present Value (NPV) (1)	Future Value (FV)	Net Present Value (NPV) (1)
I. Barrio Logan/Southeastern/Encanto										
A. Total Net Bond Proceeds			$46,000	$23,000	$89,000	$45,000	$15,000	$7,000	$28,000	$14,000
B. Tax Increment after Debt Service (Years 1-45)			$272,000	$41,000	$524,000	$80,000	$91,000	$14,000	$175,000	$27,000
C. Total	$2,300	$1,900	$318,000	$64,000	$613,000	$125,000	$106,000	$21,000	$203,000	$41,000
II. Liberty Station										
A. Total Net Bond Proceeds			$10,000	$6,000	$20,000	$11,000	$3,000	$2,000	$6,000	$4,000
B. Tax Increment after Debt Service (Years 1-45)			$52,000	$8,000	$104,000	$17,000	$17,000	$3,000	$35,000	$6,000
C. Total	$700	$600	$62,000	$14,000	$124,000	$28,000	$20,000	$5,000	$41,000	$10,000
III. Mid-City/City Heights/College Area										
A. Total Net Bond Proceeds			$84,000	$43,000	$189,000	$97,000	$27,000	$13,000	$60,000	$31,000
B. Tax Increment after Debt Service (Years 1-45)			$494,000	$75,000	$1,116,000	$171,000	$165,000	$25,000	$372,000	$57,000
C. Total	$4,200	$3,400	$578,000	$118,000	$1,305,000	$268,000	$192,000	$38,000	$432,000	$88,000
IV. Mission Beach/Old Town San Diego										
A. Total Net Bond Proceeds			$48,000	$24,000	$92,000	$47,000	$15,000	$8,000	$29,000	$15,000
B. Tax Increment after Debt Service (Years 1-45)			$282,000	$43,000	$543,000	$83,000	$94,000	$14,000	$181,000	$28,000
C. Total	$2,400	$1,900	$330,000	$67,000	$635,000	$130,000	$109,000	$22,000	$210,000	$43,000
V. San Ysidro/South San Diego										
A. Total Net Bond Proceeds			$9,000	$4,000	$16,000	$8,000	$3,000	$1,000	$5,000	$3,000
B. Tax Increment after Debt Service (Years 1-45)			$50,000	$8,000	$97,000	$15,000	$17,000	$3,000	$32,000	$5,000
C. Total	$400	$300	$59,000	$12,000	$113,000	$23,000	$20,000	$4,000	$37,000	$8,000

(1) Net present value at Year 1. Assumes 6.0% discount rate.
(2) Values reflected are net of Proposition H.

EXHIBIT F

EVALUATION OF ALTERNATIVE FUNDING APPROACHES
CRIA FEASIBILITY STUDY
CIVIC SAN DIEGO

Overall Ranking Legend:

Accessibility: How accessible/non-competitve are funds to the City?
Efficiency: How efficient are operations and administration, once the financing entity/source is established?
Funding: What is the magnitude of annual funding? Low ($0-$5 M), Medium ($5-$15 M), High ($15 M+)

EXISTING PROGRAMS
POTENTIAL PROGRAMS

	TAX INCREMENT FINANCING/ASSESSMENT DISTRICTS			
	Redevelopment (Dissolution in 2012)	Assessment Districts	Community Revitalization and Investment Authority (CRIA)	Enhanced Infrastructure Financing District (EIFD)
Overall Ranking				
Accessibility	HIGH	MEDIUM	MEDIUM	HIGH
Efficiency	MEDIUM	MEDIUM	LOW	MEDIUM
Funding (Annual)	HIGH	LOW	MEDIUM	MEDIUM
Description	Authorized cities to form redevelopment agencies and to eliminate blight from designated areas through the adoption of a redevelopment plan	Includes a variety of districts including Maintenance Assessment Districts (MAD), Property and Business Improvement District (PBID), Business Improvement District (BID), Landscape Maintenance Districts (LMDs), Community Benefit Districts (CBDs), etc.	Authorizes the establishment of redevelopment agencies in communities to address the effects of blight, as defined by means of redevelopment projects	Authorizes a legislative body of a city/county to establish an infrastructure financing district, adopt an infrastructure financing plan, and issue bonds to finance specified public facilities
Establishment/ Application	Council action after determination of blight	Voter approval from property and business owners or Council adoption subject to veto threshold	Requires certain conditions (i.e., median household income, unemployment, crime, deteriorating infrastructure) to be met or must be established within a former military base characterized by deteriorated infrastructure or areas within a disadvantaged community as described by H&SC Sec.	55% voter approval for the issuance of bonds
Type of Funding	Tax increment financing/tax allocation bonds	Funds raised through a special assessment on real property, businesses, or a combination of both	Tax increment financing/tax allocation bonds	Tax increment financing/tax allocation bonds; other assessments or fees (property tax in-lieu of vehicle license fee)
Eligible Uses	Rehabilitate/reconstruct existing structures, redesign/re-plan areas; demolish existing structures; construct public facilities	Enhanced maintenance, landscaping, and lighting services; streetscape improvements; clean and safe programs; marketing and beautification projects	Rehabilitate, repair, upgrade or construct infrastructure; low- and moderate-income housing; aquire and transfer real property; etc.	Purchase, construct, expand, improve, seismic retrofit, or rehabilitate any real or other tangible property; highways, interchanges, ramps, bridges, arterial streets, parking/transit facilities; etc.
Other Tools	Power of eminent domain	N/A	Power of eminent domain	Ability to combine tax increment with other funding sources, including fee or assessment revenues derived from one of 10 specified sources (e.g., Mello-Roos Community Facilities Districts)
Key Challenges	Statutory pass-throughs	Participation from property and business owners is voluntary	• Limited to City (maybe County) share of tax increment • Property owner and resident voter approval • Low and moderate income housing obligation • Ongoing reporting	• Limited to City (maybe County) share of tax increment • Election is required for bond authorization

EVALUATION OF ALTERNATIVE FUNDING APPROACHES
CRIA FEASIBILITYSTUDY
CIVIC SAN DIEGC

Overall Ranking Legend:

Accessibility: How accessible/non-competitve are funds to the City?
Efficiency: How efficient are operations and administration, once the financing entity/source is established?
Funding: What is the magnitude of annual funding? Low ($0-$5 M), Medium ($5-$15 M), High ($15 M+)

EXISTING PROGRAMS
POTENTIAL PROGRAMS

	STATE AND FEDERAL PROGRAMS		
	CDBG/HUD Section 108 Loans	New Markets Tax Credits	California Investment and Economic Development Bank (I-Bank)
Overall Ranking			
Accessibility	HIGH	LOW	LOW
Efficiency	MEDIUM	LOW	MEDIUM
Funding (Annual)	MEDIUM	MEDIUM	HIGH
Description	Ability to transfer a small portion of CDBG funds to develop viable communities through the provision of housing, a suitable living environment, and expanded economic opportunities	Incentivizes community development and economic growth through the use of tax credits that attract private investment to distressed communities	I-Bank's Infrastructure State Revolving Fund (ISRF) Loan Program provides financing to public agencies and non-profit corporations for a wide variety of infrastructure and economic development projects
Establishment/ Application	Requires evaluation of poverty, population, housing overcrowding, etc.; must benefit low- and moderate-income persons and aid in the elimination or prevention of slums and blight	Applicants must be certified a Community Development Entity by being a domestic corporation or partnership serving low-income communities or persons and having low-income residents in the governing board of the entity	Eligible applicants include, but are not limited to, any subdivision of a local government, including cities, counties, special districts, assessment districts, joint powers authorities and non-profit corporations (as deemed eligible)
Type of Funding	Federal grants and loans; City allocation estimated at $11.0 million in FY 2014 (FY 2015 - FY 2019 Consolidated Plan/Action Plan)	Equity investment from a tax credit investor in exchange for receipt of tax credits against their Federal income tax return; $83.0 million received by Civic San Diego to date	Tax-exempt bonds, taxable revenue bonds, credit enhancements, leveraged State and Federal funds; City and San Diego Convention Center Corporation recently received $25.5 million loan for improvements to the Convention Center
Eligible Uses	Capital improvement projects; economic development, housing rehabilitation, public facilities, and other physical development projects	Acquisition, substantial rehabilitation, and/or new construction of commercial, mixed-use, hospitality, civic, cultural, and other types of development; take-out financing for a loan or equity investment; and operating loans to Qualified Active Low-Income Community	City streets, county highways, state highways, drainage, water supply and flood control, educational facilities, environmental mitigation measures, parks and recreational facilities, public transit, public safety facilities, etc.
Other Tools	N/A	N/A	Expanded to funding of economic expansion projects, including industrial, utility, commercial, educational, and cultural/social uses
Key Challenges	Complex underwriting process; subject to Davis-Bacon labor standards	Very competitive funding source; regulations are complex and penalties for non-compliance can be severe	Competitive; waiting list for funding requires getting project into the system early

EXHIBIT F

EVALUATION OF ALTERNATIVE FUNDING APPROACHES
CRIA FEASIBILITYSTUDY
CIVIC SAN DIEGC

Overall Ranking Legend:

Accessibility: How accessible/non-competitve are funds to the City?
Efficiency: How efficient are operations and administration, once the financing entity/source is established?
Funding: What is the magnitude of annual funding? Low ($0-$5 M), Medium ($5-$15 M), High ($15 M+)

EXISTING PROGRAMS
POTENTIAL PROGRAMS

	CITY SOURCES/MECHANISMS			
	Project-Specific Rebates of Tax Revenues	**Public Benefits Zoning**	**Proposition H - Rebuild San Diego**	**RPTTF "Boomerang" Funds**
Overall Ranking				
Accessibility	MEDIUM	LOW	HIGH	HIGH
Efficiency	HIGH	MEDIUM	HIGH	HIGH
Funding (Annual)	LOW	LOW	HIGH	MEDIUM
Description	Revenues collected in the City's General Fund, generated by property taxes, sales tax, transient occupancy tax, motor vehicle license fees, and other sources	Grants developers the right to build additional units or space (density bonus) in exchange for providing public facilities or community amenities	Ensure the proper prioritization of essential infrastructure improvements and maintenance, preventing deterioration of city streets, sidewalks, and public buildings	Property taxes distributed to "affected taxing entities" under AB 1x 26 and AB 1484 that would formerly have been part of redevelopment "tax increment" system
Establishment/ Application	Development agreement with project developer to enable tax revenue rebates	Community benefits are tied to specific increases in the density of development (or land use changes) for a particular area or plan	Approved by voters June 2016	Results from dissolution of redevelopment in 2012
Type of Funding	Dedicated portions of targeted revenues (e.g., TOT, property tax, sales tax, etc.) generated by specific projects	Increased density and/or other development incentives	Major revenues diverted to the Infrastructure Fund from FY 2018 to FY 2022; projected to raise $4.0 billion	Property tax reverted to General Fund; $10.6 million in Pass-through Distributions and Residual Distributions in FY 2016
Eligible Uses	Project financing gap; site preparation; remediation costs; off-site improvements; public facilities	Parks and plazas; roads and streetscape; utilities; other public facilities; affordable housing	Public infrastructure such as city streets, police stations, libraries, and public buildings	At discretion of Mayor and City Council
Other Tools	N/A	N/A	N/A	N/A
Key Challenges	Likely to trigger prevailing wages	Creating the right development incentives for developers to achieve a desired return on investment but land sellers do not reap a financial windfall; most viable in higher-value communities	Redirection of major General Fund revenues	Part of General Fund revenues, residual distributions are property taxes, bonding restrictions/subject to 2/3 voter approval for the issuance of bonds

EXHIBIT G

COMPARISON OF EIFD VS. CRIA
CRIA FEASIBILITY STUDY
CIVIC SAN DIEGO

	Enhanced Infrastructure Financing District (EIFD)	Community Revitalization and Investment Authority (CRIA)
I. Name of District		
A. Statute	• Government Code Section 53398.50 et seq. (SB 628)	• Government Code Section 62000 et seq. (AB 2 and AB 2492)
II. Governing Board		
A. Legislative Body of District	• Public Financing Authority ("PFA") created by the Legislative Body of the City or County. • Assuming only one participating affected taxing entity, PFA consists of 3 members of the legislative body and 2 members of the public (chosen by the legislative body).	• Governing Board of Community Revitalization and Investment Authority ("Authority"). It must include 3 members of the City Council and two public members (who live or work in CRIA Plan area).
III. Boundaries		
A. Boundaries	• An EIFD may include areas that are not contiguous. • The creation of the EIFD should not ordinarily lead to the removal of existing dwelling units.	• CRIA must meet certain conditions (1) or it must be established within a former military base that is principally characterized by deteriorated or inadequate infrastructure and structures or areas within a disadvantaged community as described in H&SC Sec. 39711.
B. Annexation of Property	• No provision.	• Plan (described below) may be amended by following the same procedure as for formation. Statute does not specifically refer to annexation of territory.
IV. Facilities Eligible for Funding		
A. Communitywide Significance	• EIFD may only finance public capital facilities or other specified projects of communitywide significance that provide significant benefits to the EIFD or the surrounding community.	• No comparable provision.
B. Location of Facilities	• The facilities need not be physically located within the boundaries of the EIFD. • However, any facilities financed outside of an EIFD must have a tangible connection to the work of the EIFD, as detailed in the Infrastructure Financing Plan.	• Within the CRIA boundary, with limited exceptions for replacement housing.
C. Examples of Authorized Facilities	• Acquisition, construction, or rehabilitation of housing for persons of very low, low and moderate income rent or purchase. • Highways, interchanges, ramps, bridges, arterial streets, parking facilities, and transit facilities. • Libraries, child care facilities. • Facilities for the transfer and disposal of solid waste. • Sewage treatment and water reclamation plants and interceptor pipes. • Projects on a former military base; Repayment of the transfer of funds to a military base reuse authority. • Parks, recreational facilities, open space. • Brownfield restoration/environmental mitigation. • The purchase, construction, expansion, improvement, seismic retrofit, or rehabilitation of any real or other tangible property with an estimated useful life of 15 years or longer.	• Provide direct assistance to businesses within the CRIA in connection with new or existing facilities for industrial or manufacturing uses. • Low-and moderate-income housing. • Rehabilitate, repair, upgrade or construct infrastructure. • Seismic retrofit of existing buildings. • Acquire and transfer real property. • Make loans or grants for owners or tenants to improve, rehabilitate or retrofit buildings/structures. • Specific facilities are specified in the Community Revitalization and Investment Plan. • Remedy or remove a release of hazardous substances pursuant to the Polanco Redevelopment Act. • Authority may not provide certain direct assistance to certain (i) automobile dealerships, (ii) sales or use tax generators, and (iii) gambling/gaming developments or businesses.

(1) Gov. Code 62001(d) An authority may carry out a CRIA Plan under the following conditions: Not less than 80 percent of the land calculated by census tracts, census block groups, or any combination of both, as defined by the United States Census Bureau, within the area shall be characterized by both of the following conditions: (1) Annual median household income that is less than 80 percent of State, County, or City. (2) Three of the following four conditions: (A) Nonseasonal unemployment that is at least 3 percent higher than statewide median unemployment. (B) Crime rates that are 5 percent higher than the statewide median crime rate. (C) Deteriorated or inadequate infrastructure such as streets, sidewalks, water supply, sewer treatment or processing, and parks. (D) Deteriorated commercial or residential structures. As an alternative subdivision (Gov. Code 62001(e)), a CRIA may carry out a CRIA Plan if the area is within a former military base characterized by deteriorated or inadequate infrastructure or if it is within a disadvantaged community area as described in H&SC Sec. 39711.

EXHIBIT G

COMPARISON OF EIFD VS. CRIA
CRIA FEASIBILITY STUDY
CIVIC SAN DIEGO

	Enhanced Infrastructure Financing District (EIFD)	Community Revitalization and Investment Authority (CRIA)
V. Low and Moderate Income Housing		
A. Requirements	• EIFD law authorizes the financing of the acquisition, construction, or rehabilitation of housing for persons of low and moderate income, as defined in H&SC Sec. 50093, for rent or purchase. • The EIFD shall require, by recorded covenants or restrictions, that housing units built pursuant to this section shall remain available at affordable housing costs to, and occupied by, persons and families of low- or moderate-income households for the longest feasible time, but for not less than 55 years for rental units and 45 years for owner-occupied units. • The EIFD may finance mixed-income housing developments, but may finance only those units in such a development that are restricted to occupancy by persons of low or moderate incomes as defined in H&SC Sec. 50093, and those onsite facilities for child care, after-school care, and social services that are integrally linked to the tenants of the restricted units. • An EIFD may reimburse a developer of a project that is located entirely within the boundaries of that district for any permit expenses incurred and to offset additional expenses incurred by the developer in constructing affordable housing units pursuant to the Transit Priority Project Program established in Section 65470.	• 25% of all taxes allocated to the Authority must be deposited to Low and Moderate Income Housing Fund and used to increase, improve, and preserve the community's supply of low- and moderate-income housing available at affordable housing cost. • Every Plan must contain (i) a replacement housing provision and (ii) a prohibition on reducing during the effective period of the Plan the number of housing units occupied by extremely low, very-low, and low-income households, including the number of bedrooms in those units, below the number at the time the Plan is adopted. • Housing assisted with moneys from the Low and Moderate Income Housing Fund must be available for 55 years for rental units, 45 years for owner-occupied units and 15 years for mutual self-help housing units (with some exceptions). • Each Plan must describe compliance with housing requirements of AB 2. • The Authority must use the funds within the CRIA.
VI. Formation		
A. Initiation	• Legislative body of a City or County designates EIFD. • ROI adopted by legislative body of a City or County. • PFA is established at the same time. • PFA directs City or County engineer to prepare an Infrastructure Finance Plan ("IFP"). • Affected taxing entity adopts resolution approving IFP. • PFA holds public Hearing no sooner than 60 days after the IFP distributed. • At conclusion of Public Hearing, PFA adopts ROF. • Formation is NOT submitted to election, but the PFA may not issue bonds unless they are voted upon and approved.	• Legislative body of City, County, City and County adopts a resolution creating an Authority. • Authority adopts a Community Revitalization and Investment Plan ("Plan"). • Authority considers adoption of the Plan at three public hearings at least 30 days apart. • Draft Plan made available to public and each property owner within the CRIA at a meeting held at least 30 days prior to the notice for the first public hearing. • Notice of third public hearing must contain a copy of the final plan and inform property owners/residents of right to submit protests. • If fewer than 25% of property owners and residents file a protest, then the CRIA may adopt the CRIA Plan. If 25% to 50% of property owners and residents file a protest, then the CRIA must suspend efforts to adopt the CRIA Plan and hold an election of the property owners and residents, requiring majority approval for adoption. If greater than 50% of property owners and residents file a protest, then efforts to adopt the CRIA Plan must terminate.
B. Election	• An election is required <u>only</u> for bond authorization; the bond authorization election is generally the same as a CFD formation.	• Must be held within 90 days of the public hearing. • May be held by mail-in ballot. • Authority adopts, at a duly noticed public hearing, procedures for the election.
C. Approval Required	• Does not require voter approval for formation.	• If a majority of the property owners and residents vote against the plan, then the authority shall not take any further action to implement the proposed plan.

EXHIBIT G

COMPARISON OF EIFD VS. CRIA
CRIA FEASIBILITY STUDY
CIVIC SAN DIEGO

	Enhanced Infrastructure Financing District (EIFD)	Community Revitalization and Investment Authority (CRIA)
VII. Potential Revenue Generation		
A. Tax Increment Limits	• 45 years from the date on which the issuance of bonds is approved pursuant to Section 53398.81(a) or the issuance of a loan is approved by the governing board of a local agency pursuant to Section 53398.87	• 45 years from the formation of the CRIA Plan for the allocation of taxes to the Authority, repayment of the Authority's debts and obligations, and fulfilling all the Authority's housing obligations.
B. Net Available Revenue	• Legislative body of the City or County forming the EIFD may dedicate any portion of its net available revenue to the EIFD. • "Net available revenue" means periodic distributions to the City or County from the RPTTF.	• No comparable provision.
C. Section 97.70 (MVLF Revenue)	• Gives cities/counties the legal authority to allocate property tax revenues that are allocated to the City/County under a statutory formula set forth in Section 97.70 that is roughly based on (i) lost MVLF revenue and (ii) the rate at which assessed value increased in the entire City or County.	• No comparable provision.
VIII. Bonds		
A. Authorization	• PFA may, by a majority vote, initiate proceedings to issue bonds by adopting ROI to issue bonds. • The proposal to authorize bonds must be submitted to the qualified electors. • The bonds may be issued if 55% of the voters favor issuance.	• Bonds may be issued in conformity with Article 4.5 and Article 5 of Chapter 3 of Part 1 of Division 10 of Title 5 of Government Code. It will need to be evaluated whether legal issues are created by these provisions, which are general obligation bond and judicial validation provisions.
IX. Ongoing Reporting		
A. Annual Review	• No comparable provision.	• Authority must review the Plan at least annually. • Authority must commission an annual independent financial audit.
B. Annual Report	• No comparable provision.	• Authority must adopt an annual report on or before June 30 of each year after holding a public hearing. Report must be available to the public and posted online, and a notice of its availability must be mailed to each owner of land and each resident within the CRIA.
C. Quinquennial Audit	• No comparable provision.	• Authority must contract for an independent audit of compliance with housing requirements and, if it is determined that there is non-compliance, the Authority must adopt a remedial plan.
D. Decennial Report and Protest Proceeding	• No comparable provision.	• Every 10 years, after a public hearing, the Authority must conduct a protest proceeding to consider whether the property owners and the residents at least 18 years old within the CRIA Plan area wish to present oral or written protests. If there is a 25%-50% protest, the CRIA may not take any further action to implement the CRIA Plan and must hold an election of the property owners and residents before proceeding. If a majority of voters do not approve continued implementation of the CRIA Plan, the CRIA may not take any further action to implement the CRIA Plan.
E. Biannual Audit	• Every two years after the issuance of debt.	• No comparable provision.
X. Acquisition of Real Property/Eminent Domain		
A. Eminent Domain	• No comparable provision.	• Authority has power of eminent domain during the 12 years following the adoption of the Plan (with extensive limits).
B. Acquisition of Real Property	• No comparable provision.	• Authority may purchase, lease, and sell real property.

ATTACHMENT 2

SNAPSHOT COMPARISON OF CRIA PERMISSIBLE FUNDING ACTIVITIES WITH
CITY OF SAN DIEGO AND CIVIC SAN DIEGO FUNDING ACTIVITIES

Community Revitalization and Investment Authority	**City of San Diego**	**Civic San Diego**
Provide funding for infrastructure	Community Development Block Grant, Former Redevelopment Bond Proceeds, Proposition H, Development Impact Fees, Former Enterprise Zone Funds (Anticipated 2016)	Former Redevelopment Bond Proceeds
Provide for affordable housing	Community Development Block Grant, Former Redevelopment Bond Proceeds, Inclusionary Housing, Low and Moderate Income Housing Asset Fund	Former Redevelopment Bond Proceeds, Low and Moderate Income Housing Asset Fund, Transit-Oriented Development Fund (Anticipated FY18)
Provide for seismic retrofit of existing buildings		New Markets Tax Credits
Issue bonds	Proposition H, Lease Revenue, Community Facility Districts, Enterprise Funds	
Borrow money, receive grants, accept financial assistance	Community Development Block Grant, Promise Zone, Federal Office of Economic Adjustment Grants, State Proposition 84 Grants	New Markets Tax Credits, Access to Capital Campaign (Anticipated 2016)
Adopt a community revitalization & investment plan	Community Plans, Housing Element, Economic Development Strategy, Affordable Housing Master Plan	Economic & Community Development Work Plan, Affordable Housing Master Plan
Make loans or grants to owners/tenants for existing structures	Community Development Block Grant, Storefront Improvement Program, San Diego Regional Revolving Loan Fund, Small Business Micro Revolving Loan Fund	New Markets Tax Credits
Provide direct assistance to businesses	Business & Industry Incentive Program per Council Policy 900-12, San Diego Regional Revolving Loan Fund, Small Business Micro Revolving Loan Fund, Former Enterprise Zone Fund Reinvestment Initiative (Anticipated 2016)	Access to Capital Campaign (Anticipated 2016)

Source : Economic Development Department