ATTACHMENT A

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County Building Removal Financing Options on Former Fort Ord

Board of Supervisors

October 22, 2019

Agenda Item No. 19

Melanie Beretti

RMA Property Administration/Special Programs Manager

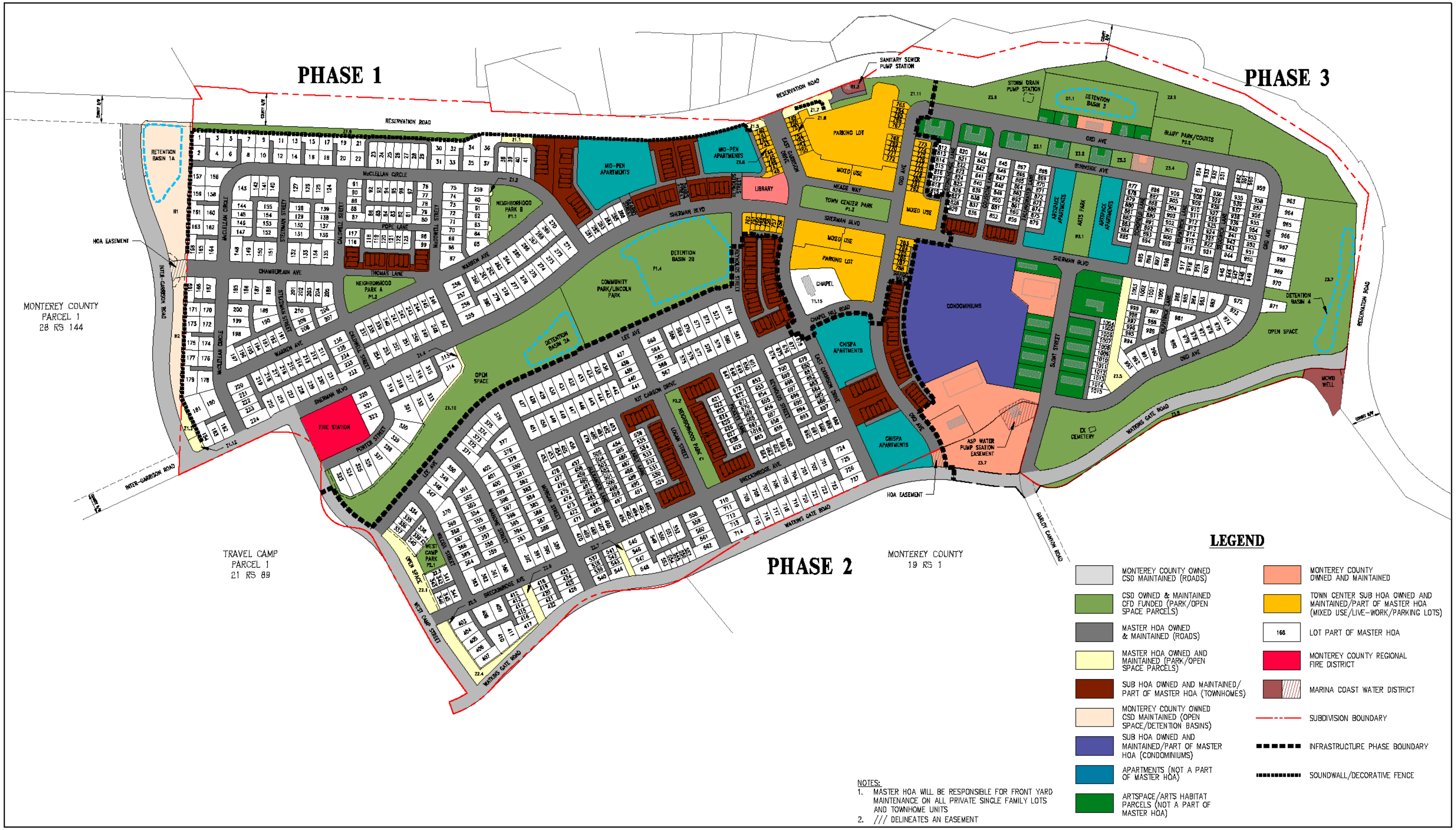


EXHIBIT 'A'

OVERALL OWNERSHIP/MAINTENANCE EXHIBIT

EAST GARRISON

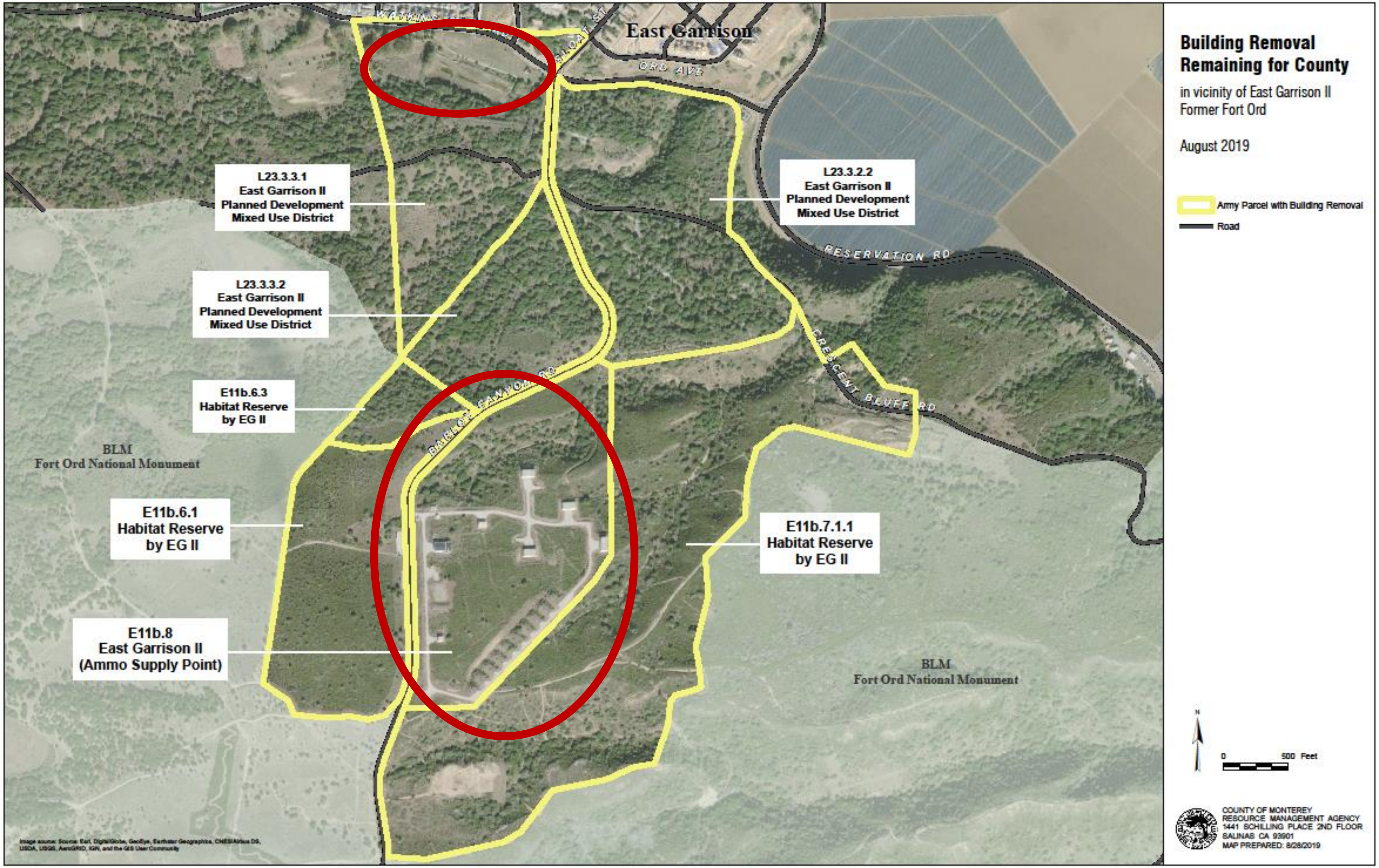
MONTEREY COUNTY, CA

200 0 200 400 600 Feet
SCALE: 1" = 200'

Whitson Engineers
6 Harris Court | Monterey, CA 93940 | 831 649-5225 | F 831 373-5065
Civil Engineering ▪ Land Surveying ▪ Project Management | www.whitsonengineers.com

OCT 12, 2017
Sheet 1 of 1

1" = 200'


Building Removal Remaining for County
in vicinity of East Garrison II
Former Fort Ord
August 2019
Army Parcel with Building Removal
Road
East Garrison
ORD AVE
RESERVATION RD
CRESCENT BLUFF RD
BARLOY CANYON RD
L23.3.3.1
East Garrison II
Planned Development
Mixed Use District
L23.3.2.2
East Garrison II
Planned Development
Mixed Use District
L23.3.3.2
East Garrison II
Planned Development
Mixed Use District
E11b.6.3
Habitat Reserve
by EG II
E11b.6.1
Habitat Reserve
by EG II
E11b.7.1.1
Habitat Reserve
by EG II
E11b.8
East Garrison II
(Ammo Supply Point)
BLM
Fort Ord National Monument
BLM
Fort Ord National Monument
0
500 Feet
COUNTY OF MONTEREY
RESOURCE MANAGEMENT AGENCY
1441 SCHILLING PLACE 2ND FLOOR
SALINAS CA 93901
MAP PREPARED: 8/28/2019

Financing Options

- Option 1 – FORA Bond Secured by FORA Property Tax
- Option 2 – Debt Secured by General Fund Revenues
- Option 3 – Debt Using New Tax Increment Financing Tools
  - Enhanced Integrated Financing Districts (EIFDs)
  - Community Revitalization and Investment Authority (CRIAs)

Details provided in handout from Fieldman, Rolapp & Associates

Recommendations

- Approve appropriation, up to $25K, and Authorize County Counsel to retain specialize bond counsel services

- Provide direction relative to review and analysis of participating in FORA financing (Option 1) and/or County financing options (Options 2 & 3)
    - Continue this matter to November 5, 2019 for further review and discussion, or as soon as feasible

County Building removal
Financing Options on the former fort ord

Monterey County Board of Supervisors
October 22, 2019

Prepared by Fieldman, Rolapp & Associates on behalf of the County of Monterey

Agenda Item No. 19

Financing Considerations

- Financing Considerations
  - Useful life of improvements determines term of borrowing
  - Type of improvements – public (tax exempt) vs. private use (taxable)
  - Estimated length of project completion
  - Method of Sale – Public Sale or Private Placement
    - Borrowing size
    - Financial flexibility: cost, time, rating, continuing disclosure, etc.

Option 1 Debt issued by FORA

- Tax Increment Revenues
  - Marks-Roos Act used to issue Bonds
    - Secured by tax increment revenues pledged to debt service
    - Issued through a joint powers authority, like FORA
    - Payable from current and future tax increment revenues
  - Would be sized based on a revenue constraint and anticipated coverage
  - Would be sized to maximize building removal on Marina, Seaside and County property

Option 2 Debt Secured by General Fund Revenues

- General Fund Revenues
  - General Fund Lease Revenue Bonds
    - Secured by rental payments pursuant to a lease
    - Require an asset transfer – unencumbered County-owned asset(s) pledged as collateral for the bonds
    - Issued through a joint powers authority, like a public financing authority
    - Payable from the County's General Fund – subject to annual appropriation (***maybe able to earmark current and future property tax revenues from East Garrison***)
  - Would be sized to fund building removal on County property only

Option 3 Debt issued using new Tax Increment Financing Tools

- Enhanced Integrated Financing Districts (EIFDs)

- Community Revitalization and Investment Authority (CRIAs)

Overview of New Tax Increment Financing Tools

I.	Background
II.	EIFD Overview
III.	CRIA Overview
IV.	Conclusion

Section I

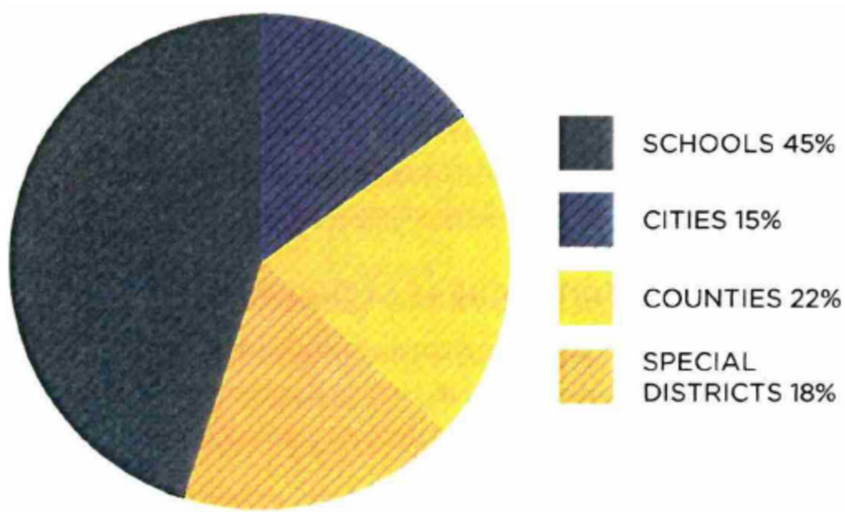
Background

Background

- New forms of tax increment financing provide options to finance infrastructure and economic development projects
  - Enhanced Infrastructure Financing District (EIFDs)
  - Community Revitalization and Investment Authorities (CRIAs)

- Typical property tax allocation among taxing agencies

Example of Property Tax Allocation:	
Property Tax Generated:	*$10,000*
Schools Receive 45%	*$4,500*
County Receives 22%	*$2,200*
Special Districts Receive 18%	*$1,800*
City Receives 15%	*$1,500*



Background - How Tax Increment is Generated

- Tax increment = Property tax revenue generated above an established "base year" value

Example:	
Base Year Assessed Value:	*$1,000,000*
Assumed Inflationary Increase Following Year:	*2%*
First Year After Base Year Assessed Value:	*$1,020,000*
Incremental Value (Current Year Less Base Year):	*$20,000*
General Levy	*1%*
Incremental Revenue Generated	*$200*

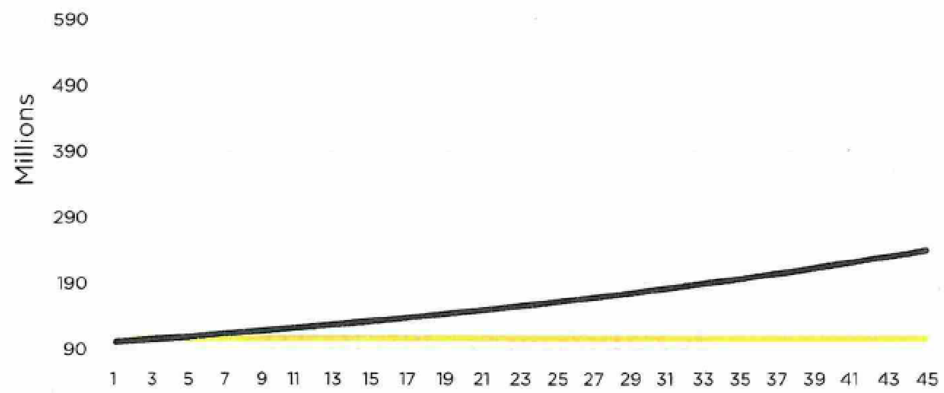
- Assessed values must increase over the base year value for increment to be available

- Typically, if money is infused into a specific area, AVs increase more rapidly through development and property sales
  - This triggers reassessment of the value and generates more money

Background - Tax Increment Over Time

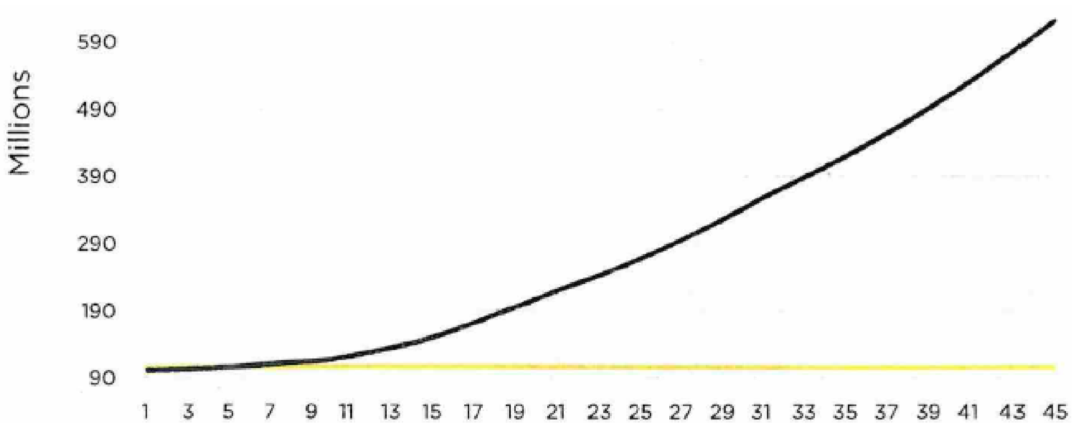
- Tax Increment Over Time

Assessed Value Growth at 2% Annual Rate



Base Year Value:
$100,000,000
Assessed Value Growth:
2% Per Year
Total Tax Increment Revenue in 45 Years:
$25 Million

Assessed Value Growth at Increasing Varied Annual Growth



Base Year Value:
$100,000,000
Assessed Value Growth:
Varied, with New Growth
Total Tax Increment Revenue in 45 Years:
$80 Million

Section II

Enhanced Integrated Financing Districts (EIFD)

Tax Increment Financing Tools - EIFDs

- Authorized by Senate Bill 628
- Eligible Projects – broad range of infrastructure work
  - Roads and highways
  - Bridges
  - Parking facilities
  - Transit stations
  - Sewage and water facilities
  - Solid waste disposal
  - Port and harbor projects
  - Parks
  - Libraries
  - Childcare facilities
  - Flood control and drainage projects
- May also finance a broader range of public uses for economic development purposes, such as
  - Brownfield restoration and environmental mitigation
  - Military base reuse projects
  - Affordable housing
  - Private industrial buildings
  - Transit oriented development projects
  - Sustainable communities strategies projects
  - Remediation of contaminated property
- Other capital projects with useful life of at least 15 years

EIFD Eligible Costs and Participating Entities

- Eligible costs for EIFD financing include construction, acquisition and rehabilitation costs, as well as planning and design expenses
- EIFDs cannot pay for maintenance, routine repairs or operations
- EIFD cannot acquire or sell property itself and cannot use eminent domain
  - But EIFDs can finance acquisition of property by others

- EIFDs can collect property tax increment from cities, counties and special districts that voluntarily agree to contribute those funds
  - These agencies may agree to contribute all or part of their tax increment
  - Cannot collect tax increment from K-12 school districts, community college districts and county offices of education

EIFD Formation Process

- Adopt Resolution of Intention and form a Public Financing Authority (PFA)
  - PFA governs EIFD process
  - Requires public participation on board of PFA
- Prepare and adopt Infrastructure Financing Plan (IFP)
  - Core governing document of the EIFD
  - Enter into tax sharing agreements with other public entities/special districts
- Public hearing to adopt IFP and formation of EIFD
  - PFA implements IFP and each member agency must pass its own resolution of approval

EIFD Financing Sources

- Revenue sources may include:
  - Tax increments collected from within the boundaries of the EIFD
    - Largest portion of the revenues
  - Property tax in lieu of vehicle licensing fees
  - Assessments and Mello-Roos special taxes

- Obligations an EIFD may pursue include:
  - Bonds – require 55% of the qualified electors vote in favor of the measure
  - Loans – also require 55% voter approval
  - Other debt instruments
    - Notes, other contractual arrangements, etc

Other Considerations

- Relation to Redevelopment Agencies
  - EIFD cannot be formed until finding of completion for the redevelopment project is filed
  - EIFD obligations will be subordinate to those of the redevelopment agency
  - May use available and uncommitted RPTTF funds
- Affordable Housing
  - Long-term affordability covenants (55 years for rental and 45 years for ownership)
- California Environmental Quality Act (CEQA)
  - No specification how to comply with CEQA, yet may require environmental impact reports
- Government transparency requirements apply
- May be subject to constitutional debt limit

Section III

Community Revitalization and Investment Authority (CRIA)

Tax Increment Financing Tools – CRIAs

- Authorized by Assembly Bill 2
- 2 Types of CRIAs
  - Single-member CRIA
  - Multi-entity CRIA
- Who can participate in a CRIA?
  - All taxing entities, except school/community college districts and redevelopment successor agencies
    - A prior redevelopment agency community can participate if received a finding of completion, no former assets are subject to litigation, and has complied with the return of former assets
- After the CRIA is formed, the board adopts a Revitalization Plan for the Revitalization Area
  - At least 80% of the property must include:
    - Annual median household income less than 80% of state/county/city
    - At least 3 of the following: Unemployment rate 3% higher than the state; Crime rates 5% higher than the state; Deteriorated or inadequate infrastructure; and Deteriorated or inadequate commercial/residential structures
  - May also be established in a former military base with deteriorated or inadequate infrastructure and structures or a disadvantaged community

Revitalization Plan and Adoption Process

- Revitalization Plan must include:
  - Goals and objectives
  - Description of the deteriorated or inadequate infrastructure
  - Programs for affordable housing, hazmat removal, and economic revitalization
  - 5-year projections and fiscal analysis
  - Time limits that cannot exceed:
    - 30-year time limit on establishing debt
    - 45-year time limit for plan effectiveness, repayment of debt and receipt of tax increment
    - 12-year time limit for acquiring property by eminent domain
- CRIA is prohibited from spending funds on any purposes that are not identified in the plan
- Long adoption process:
  - Public meeting, 3 public hearings held at least 30 days apart, a protest process, and an election

CRIA Financing Sources

- Tax increments
  - Participating taxing entity adopts a tax sharing resolution
  - Other taxing entities may dedicate a portion of their tax increment funds to the CRIA
  - Other funding sources:
    - Property taxes from dissolved redevelopment agencies
    - Property taxes in lieu of former vehicle license fee funds
    - Funds from various assessments imposed by a special district
- Loans or Bonds
  - Bonds don’t need voter approval
  - CRIA can repay loan from participating taxing entities with revenues in time it takes for bond prerequisite of tax base growth

Other Considerations

- Housing Funding
  - At least 25% of tax increment must be deposited into a Low and Moderate Income Housing Fund
  - Use of the Housing Fund must comply with very detailed rules
  - Required adoption of relocation plans
- Housing Uses
  - Prior to expiration of the Revitalization Plan, portion of housing units must be made available to low and moderate income households
    - 30% of CRIA rehabilitated units (50% of these to very low income)
    - 15% of non-CRIA rehabilitated units (40% of these to very low income)
- Compliance
  - Independent compliance audit every 5 years
  - Special annual and 10-year review procedures

Similarities and Differences between EFIDs and CRIAs

- Similarities
  - Public entities separate and distinct from the city or county
  - Finance a wide-range of public and private projects
  - Uses property tax increment with contributions from other taxing entities
  - May receive funds derived from other city, county or special district sources:
    - Property taxes from dissolved redevelopment agencies
    - Property taxes in lieu of former vehicle license fee funds
    - Funds derived from various assessments that may be imposed by a special district

- Differences
  - CRIA operates within defined area characterized by social and economic deterioration, designated disadvantaged communities or a former military base; EIFD can be established anywhere and used for a wide range of infrastructure and development
  - Adoption of a Plan by CRIA is subject to majority protest; Adoption of Plan by EIFD is not
  - Issuance of bonds by CRIA does not require voter approval; Issuance of bonds by an EIFD requires 55% voter approval
  - CRIA dedicates portion of tax increment to affordable housing; EIFD may optionally provide affordable housing

EIFDs and CRIAs

ADVANTAGES

- Flexible
  - Can be used for a variety of projects
- Stimulate development through infrastructure improvements and job creation
- No election is needed to form the district or public body
  - No election is needed for CRIA bonds
- For EIFDs, tax increment is available for up to 45 years

DISADVANTAGES

- EIFD bond issuance requires 55% voter approval
- CRIA has restricted formation area and use of funds
- Regional cooperation is required
  - Cities, counties, special districts must agree to share tax increment
- May generate far less than the maximum allowable amount, unless all taxing entities participate
  - Collect property tax increment from cities, counties and special districts that voluntarily agree to contribute those funds, and cannot collect from schools
  - Generally, companion funding sources are also required
- ***Tax increment cash flow is slow to build and does not provide the upfront cash needed to remove buildings now***