

# Does a Diversity of Funding Sources Improve Feasibility?

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**moderated by**

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Oakland

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1. Introductions



2. Moderator's Hypothesis



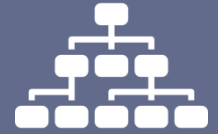
3. Panelist Presentations



4. Questions and Discussion

# INTRODUCTIONS

# Panel



- ❖ Xzandrea Fowler  
Deputy Director of Community Development  
City of San Luis Obispo
- ❖ Michael Nimon  
Vice President  
Economic & Planning Systems
- ❖ Ashleigh Kanat  
Executive Vice President  
Economic & Planning Systems

**Economic & Planning Systems, Inc. (EPS)** is a land economics consulting firm with 35 years of experience in the full spectrum of services related to real estate development, the financing of public infrastructure and government services, land use and conservation planning, and government organization.

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- Real Estate Market and Feasibility Analysis
- Regional Economics and Industry Analysis
- Public Finance
- Land Use Planning and Growth Management
- Fiscal and Economic Impact Analysis
- Open Space and Resource Conservation
- Reuse, Revitalization, and Redevelopment
- Government Organization
- Housing Development Feasibility and Policy
- Transportation Planning and Analysis

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# MODERATOR'S HYPOTHESIS

# HYPOTHESIS



- ❖ Drawing upon a diversity of funding sources and financing mechanisms results in a financing plan that:
  - Encompasses a fuller range of types of improvements
  - Benefits both existing and new development
  - Spreads the incidence of burden and distributes the risk
  - Allows for thoughtful consideration of timing of revenues

Thereby...

- **Improving project feasibility**

# WHO BENEFITS?



- ❖ Before aligning costs and funding, think about who benefits from investment in capital infrastructure
  - New residents/employees/visitors
  - Existing residents/employees
  - Developers
  - The city
  - The region



# UNDERSTAND OPTIONS



- ❖ In the context of “Who Benefits,” consider your options:
  - New residents/employees/visitors
    - ✓ Development impact fees
    - ✓ Community facilities districts
  - Existing residents/employees
    - ✓ Special taxes (e.g., sales tax, TOT)
    - ✓ Parcel taxes
    - ✓ Special benefit assessment districts

# UNDERSTAND OPTIONS, Continued



- Developers
  - ✓ Development agreements
  - ✓ Community facilities districts
- The city
  - ✓ General obligation bonds
  - ✓ General Fund CIP
  - ✓ Tax increment (EIFD and variations)
  - ✓ State and federal grant programs
- The region
  - ✓ Tax increment (EIFD and variations)
  - ✓ State and federal grant programs

# WHO PAYS?



- ❖ Development impact fees
  - The developer/builder pays
  - Secondary effect: increased costs affect land value and may be passed along to buyers (if supported by market conditions)
- ❖ Community facilities district
  - Land owner/property owner pays – can be used to reduce upfront costs and shift burden from the developer to future users
  - Secondary effect: increased tax burden may constrain achievable price points and/or reduce land values
- ❖ Infrastructure financing district (e.g., EIFD)
  - Property owner pays property tax bill
  - Secondary effect: city incurs a fiscal opportunity cost
- ❖ Important: regardless of how capital improvement is delivered, recurring, annual maintenance costs often fall to the city

# ECONOMIC CONSIDERATIONS



- ❖ The sky is not the limit
  - Developer-based funding
    - Development impact fees: too high fees can deter otherwise desirable development
    - Development agreements: require mutual consent; both parties need the deal to make economic sense
- ❖ Land-secured funding and financing
  - Community facilities districts: require voter/landowner approval and consistent with overall, policy-based tax burden limit
  - Special benefit assessment districts: strict proportionality

# ECONOMIC CONSIDERATIONS, Continued



- ❖ City funding and financing
  - General obligation bonds: requires a 2/3 voter approval (unless for educational purposes)
  - General Fund CIP: competing priorities for General Fund resources
  - Parcel taxes: requires majority voter approval for general purposes (2/3 for special purpose); flat rate per parcel
  - Tax increment (EIFD and variations): fiscal opportunity cost
  - Special taxes (e.g., sales tax, TOT): requires majority voter approval for general purposes (2/3 for special purpose); may create competitive disadvantages
  
- ❖ State and federal grant programs: uncertain; staff opportunity costs and administrative costs

# TIMING OF REVENUES



- ❖ Development impact fees
  - Revenue tracks the pace of development
  - Improvements often needed in advance of development
  - Credits/reimbursements used as a financing mechanism
  
- ❖ Community facilities district
  - Annual revenue can support O&M or pay-as-you-go capital improvements  
and/or
  - Annual revenue can be used to support a bond issue to fund upfront capital improvements
  
- ❖ Infrastructure financing district (e.g., EIFD)
  - Annual revenue, tied to property tax payments
  - Can be combined with other tools to support a bond issue

**AND NOW,  
FOR THE PROOF...**

# PANELIST PRESENTATIONS



Xzandrea Fowler, City of San Luis Obispo

# **MARGARITA AREA SPECIFIC PLAN AND AVILA RANCH**

Michael Nimon, Economic & Planning Systems

**BAYLANDS, BRISBANE  
MISSION ROCK, SAN  
FRANCISCO**

# QUESTIONS AND DISCUSSION

# UNDERSTAND OPTIONS



- ❖ Developer-based funding
  - Development impact fees
  - Development agreements
- ❖ Land-secured funding and financing
  - Community facilities districts
  - Special benefit assessment districts
- ❖ City funding and financing
  - General obligation bonds
  - General Fund CIP
  - Parcel taxes
  - Tax increment (EIFD and variations)
  - Special taxes (e.g., sales tax, TOT)
- ❖ State and federal grant programs