

Initial CRIA Qualification Analysis

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Introduction and Background

- Kosmont and BB&K were retained by the City in April 2016 to perform an evaluation of the feasibility of Community Revitalization and Investment Authorities ("CRIA") for multiple targeted areas within the City
- The purpose of the evaluation is to identify the practical and financial / economic efficacy of a CRIA or EIFD, in order for the City to determine whether or not to proceed with formation and implementation
- The first phase of the evaluation is an **Initial CRIA Qualification Analysis** (Analysis"), in order to determine qualified eligible areas / projects within the City for CRIA implementation
- Next steps will include financial sources / uses analysis and tax increment projections, as well as evaluation of potential partnership and governance structures, based on boundary considerations analyzed in this phase



Analysis Outline

1. Review of CRIA Basics (AB 2 / AB 2492)
2. CRIA Qualification Analysis for Riverside
3. What can a CRIA do for Riverside?: Eligible Projects
4. Summary and Next Steps

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1. Review of CRIA Basics (AB 2 / AB 2492)

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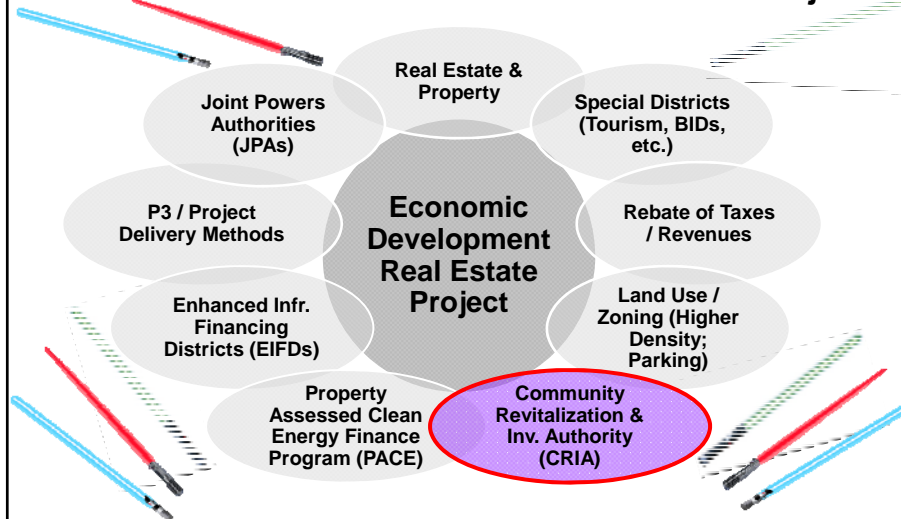
CRIAs: New Deal-Making Paradigm in CA

- State has approved new “districts” including CRIA:
 - Enable tax increment financing for local/regional projects
 - Compel joint ventures with cities, counties, special districts, and private developers
- New districts creating paradigm shift in California
 - Districts geared to infrastructure, sustainability, energy efficiency
- Districts induce multi-jurisdictional partnerships for economic development and infrastructure



Post-RDA Economic Development

Cities have 9 BASIC TOOLS for Public/Private Projects



These tools often work best when used together

CRIA Legislation (AB 2) Overview

- **AB 2 (Alejo) “Community Revitalization Investment Authority (CRIA)”**
 - Effective January 2015
 - Restores redevelopment authorities to disadvantaged communities
 - Carries out provisions of Community Redevelopment Law
 - Authorizes establishment of Community Revitalization & Investment Authorities as long as project area meets 4 necessary conditions
 - Allows projects to be financed by bonds serviced by tax increment
 - 30 years to issue debt; 45 years to repay indebtedness
 - Can fund projects for economic revitalization in disadvantaged communities
 - Powers of eminent domain granted to CRIAs for first 12 years of district
 - **25% affordable housing requirement**



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CRIA Eligibility / Qualification

- **Conditions of a Community Revitalization Area:**
 - **80% of land (calculated by census tracts or block groups) must have median household income less than 80% of statewide median**
 - **Must exhibit at least three of the following conditions:**
 1. Non-seasonal unemployment rate 3% higher than statewide median
 2. Crime rates are 5% higher than statewide median
 3. Deteriorated or inadequate infrastructure
 4. Deteriorated commercial or residential structures
 - **Note:** AB 2492 (signed 9/23/16) adds additional ability to qualify under CalEPA designation as disadvantaged community (based on geographic, socioeconomic, public health, environmental factors)



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2. CRIA Qualification Analysis for Riverside

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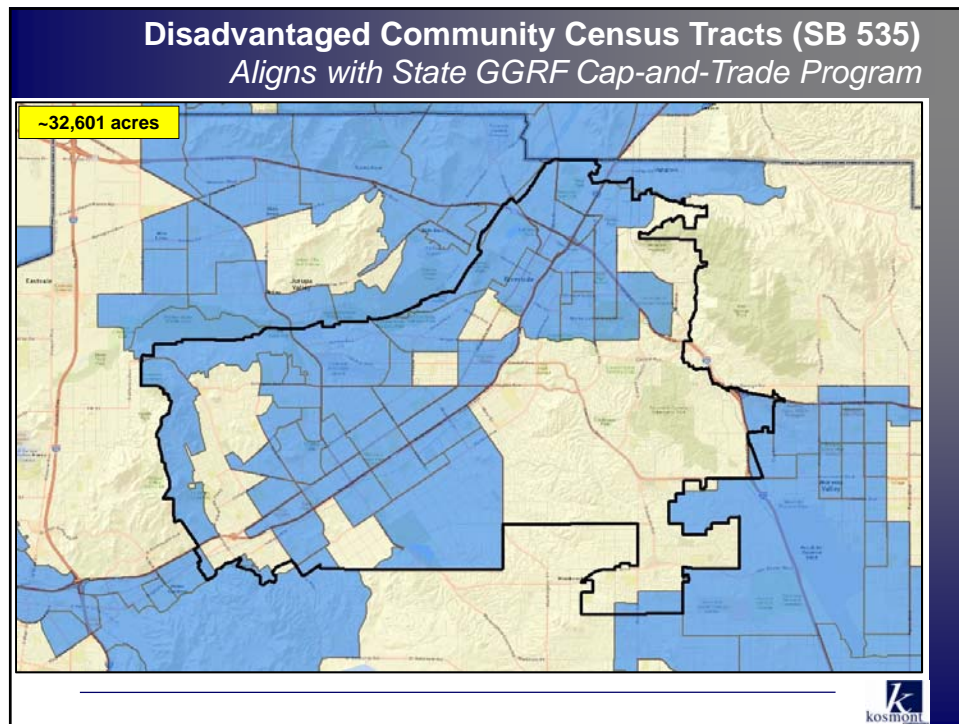


Qualification Analysis Summary

- **Riverside qualifies for CRIA**
- **Income**: Yes, in targeted areas (City as a whole does not qualify)
- **Crime**: Yes, in targeted areas
- **Unemployment**: Yes, but less of City qualifies based on unemployment compared to crime
- **Deteriorated or inadequate infrastructure**: Yes, in targeted areas
- **Deteriorated commercial or residential structures**: Yes, in targeted areas
- **CalEPA Disadvantaged Community**: Yes, in targeted areas

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3. What can a CRIA do for Riverside?: Eligible Projects

Overview of CRIA Eligible Projects



Wastewater/Groundwater



Roads / Circulatory Inf.



Civic Infrastructure



Assist Businesses



Affordable Housing



Brownfield Remediation

CRIAs can fund economic revitalization in disadvantaged communities

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CRIA Advantages Per Legislation

- **Project implementation:**
 - Provide funding to rehabilitate, repair, upgrade, or construct **infrastructure**
 - Provide for low- and moderate-income **housing**
 - Remedy or remove hazardous substances pursuant to **Polanco Redev. Act**
 - Provide for **seismic retrofits** of existing buildings
 - **Acquire and transfer real property**
 - Construct foundations, platforms, and other like structural forms necessary for the provision or utilization of air rights
 - **Provide direct assistance to businesses** within the plan area in connection with new or existing facilities for **industrial or manufacturing uses**
- **Financing and funding sources:**
 - Issue bonds
 - Borrow money, receive grants, or accept financial or other assistance or investment from state / federal / other public agencies / private lending institutions
 - Qualify for funding as a disadvantaged community
 - Coordinate with qualified community development entity for investment of New Market Tax Credits
 - **Make loans or grants for owners or tenants** to improve, rehabilitate, or retrofit buildings or structures

Source: AB 2 (Alejo)

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Riverside: Planning Areas & Potential CRIA Projects

- **Riverside's Planning areas** reflect targeted districts within the city for economic revitalization pursuant to existing planning documentation (e.g. General Plan, Specific Plans, former Redevelopment Agency Implementation Plan), as well as Council and staff guidance
- Kosmont and BB&K met and toured the City with economic development staff to review priority planning areas and projects for potential inclusion in a CRIA
- Targeted economic development projects within the City align with CRIA eligible areas of the City and CRIA eligible uses of funds (4 planning areas, 13 projects)
- Planning areas and projects shown do not represent a comprehensive list, but rather an initial list of targeted priority areas

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Potential Riverside CRIA Projects

- **Eastside Planning Area**
 - Vine Street multi modal / mixed-use development
 - Marketplace / Commerce Street / Riverside Scrap – remediation / redevelopment / mixed-use TOD
 - Street improvements – Commerce Street reconstruction, Vine Street widening, Kansas Street reconstruction
 - California Air Resources Board (“CARB”) / Innovation District revitalization
 - Chicago / Linden Project Area – Affordable housing, community center, Patterson Park upgrades, alleyway improvements
 - Affordable housing – Mission Inn & Park, 11th Street & Victoria, 9th Street & Ottawa
 - Hulen Place tenant improvements for homeless services
- **Downtown Planning Area**
 - North Main Project Area / Orange Street – acquisition / remediation / redevelopment of older industrial parcels
 - New downtown library construction (potentially on City or SA-owned land)

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Potential CRIA Projects (Continued)

- [Casa Blanca Planning Area](#)
 - Garden Site / Radio Site future development – utility relocation
 - Redevelop underutilized parcels (e.g. liquor stores)
- [La Sierra / Arlanza Planning Area](#)
 - University / mixed-use future development
 - Code enforcement / clean-up

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Hole Lake Revitalization “Example” of Potential Riverside CRIA Project

Objective: Utilize CRIA to revitalize the Hole Lake Area of the City, including restoration of aquatic and recreational uses



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Hole Lake Revitalization

Preliminary Tax Increment Analysis Assumptions

- Projected assessed value of potential development:

Development Type	Building	A/V Factor	Projected A/V
Hotel	125 Rooms	\$100k Per Room	~\$12.5 million

- Kosmont ran two baseline scenarios to determine CRIA revenue potential for Hole Lake revitalization:
 - > **Scenario A:** City tax increment only (City receives ~11.6 cents on the dollar in this tax rate area)
 - > **Scenario B:** City and half County tax increment, (~19.0 cents total: County receives ~14.8 cents, so half ~7.4 cents, plus City share) – County must consent
- CRIA statute enables City to utilize incremental property tax in lieu of MVLF and other City funding sources, such as transient occupancy tax (TOT) from new hotel development
 - > MVLF: City receives ~\$980 annually for every \$1 million in A/V in the City
 - > TOT: City TOT rate is 13% (assuming average daily rate ~\$115, occupancy ~70%)
- For each scenario, Kosmont included potential revenue dedications from property tax in lieu of MVLF and a portion of new TOT generated (25% assumed in these scenarios)

Hole Lake Revitalization

Summary of Potential Net Available Revenues

- Property tax increment + incremental property tax in-lieu of MVLF + 25% of TOT:

	Scenario A	Scenario B
Year 10 Annual Revenue	\$188,195	\$199,292
Year 20 Annual Revenue	\$248,920	\$262,447
Year 30 Annual Revenue	\$329,655	\$346,144
45-Year PV @ 7%	\$2,927,255	\$3,091,409

- +/- \$3 million potentially available revenues from just one adjacent potential development project
- Funds can be used for Hole Lake public improvement costs to restore aquatic and recreational uses (e.g. horse trails) via CRIA
 - > Difference between City and County cooperation not significant, due to reliance on TOT (~\$2.45 million)
- Does not reflect additional funds from development of other projects or annual tax growth elsewhere within CRIA boundary
- Model can be replicated for other projects**

4. Summary and Next Steps

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City of Riverside: CRIA Eligibility

- Significant portion of Riverside is eligible under the CRIA statute
- Numerous economic development projects within the City align with:
 - (1) CRIA eligible census tracts and block groups and
 - (2) CRIA eligible uses of funds
- Based on positive initial findings, a key next step includes evaluation of financial sources and uses to determine potential financing/funding capacity of a CRIA:
 - **Potential funding sources:** Tax increment from future development, impact fees, grant funding, CFD, EIFD, other
 - **Potential uses:** Infrastructure improvements, affordable housing, remediation / rehabilitation projects, other

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CRIA Formation and Governance

Two ways to form a CRIA:

- (1) a city, county, or city and county; administered by a five-member board; or
- (2) a city, county, or special district, or any combination of those local governments (joint powers agreement); administered by members of the public agencies that created the authority
- In both cases, the body must include at least two members of the public who live or work in the area
- A city, county, or city and county that has received a Finding of Completion from DOF and whose successor agency has complied with all orders of the Controller may form the CRIA (Riverside has achieved these)



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Adoption Process & Notable Requirements / Authority

- **CRIAs required to adopt a Community Revitalization & Investment Plan**
 - Confirm CRIA boundaries
 - Form the CRIA governing board
- **Plan Must Include:**
 - Description of principal goals & objectives
 - Description of the deteriorated or inadequate infrastructure in area
 - Housing program
 - Estimated housing revenues & expenditures
 - Program to remedy or remove hazardous materials
 - Program to provide funding / facilitate economic revitalization
- **Procedure for Plan Adoption & Ongoing Accountability:**
 - Plan adopted over a series of three public hearings (30 days apart)
 - Final version of plan may be subject to majority protest vote
 - Every ten years the CRIA conducts proceedings with property owners & residents to allow protests against continuing work of authority
- **25% affordable housing requirement**

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Next Steps for Evaluation

- Riverside meets the criteria to establish a CRIA for a large portion of the City
 - 4 planning areas, 13 potential projects (initial list)
- Next steps include financial evaluation of planning areas and projects as related to:
 - Net available revenues to the CRIA: Levels of assessed value, tax increment, RPTTF residual revenues, property tax in lieu of VLF generation
 - Identification of potential complementary funding sources (e.g. grants, impact fees, CFD, EIFD)
 - Evaluation of infrastructure needs, affordable housing, etc. – costs, timing, phasing
 - Identification of potential public / taxing entity partners (ability to contribute property tax increment)
 - Identification of potential private entity partners (important for CRIA start-up capital)
- Community outreach efforts in parallel
- Review results with City Council upon completion to determine ongoing strategy and implementation priorities

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Thank You / Questions?

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