

California's Primary Tax Sources

Income, sales, and property tax:

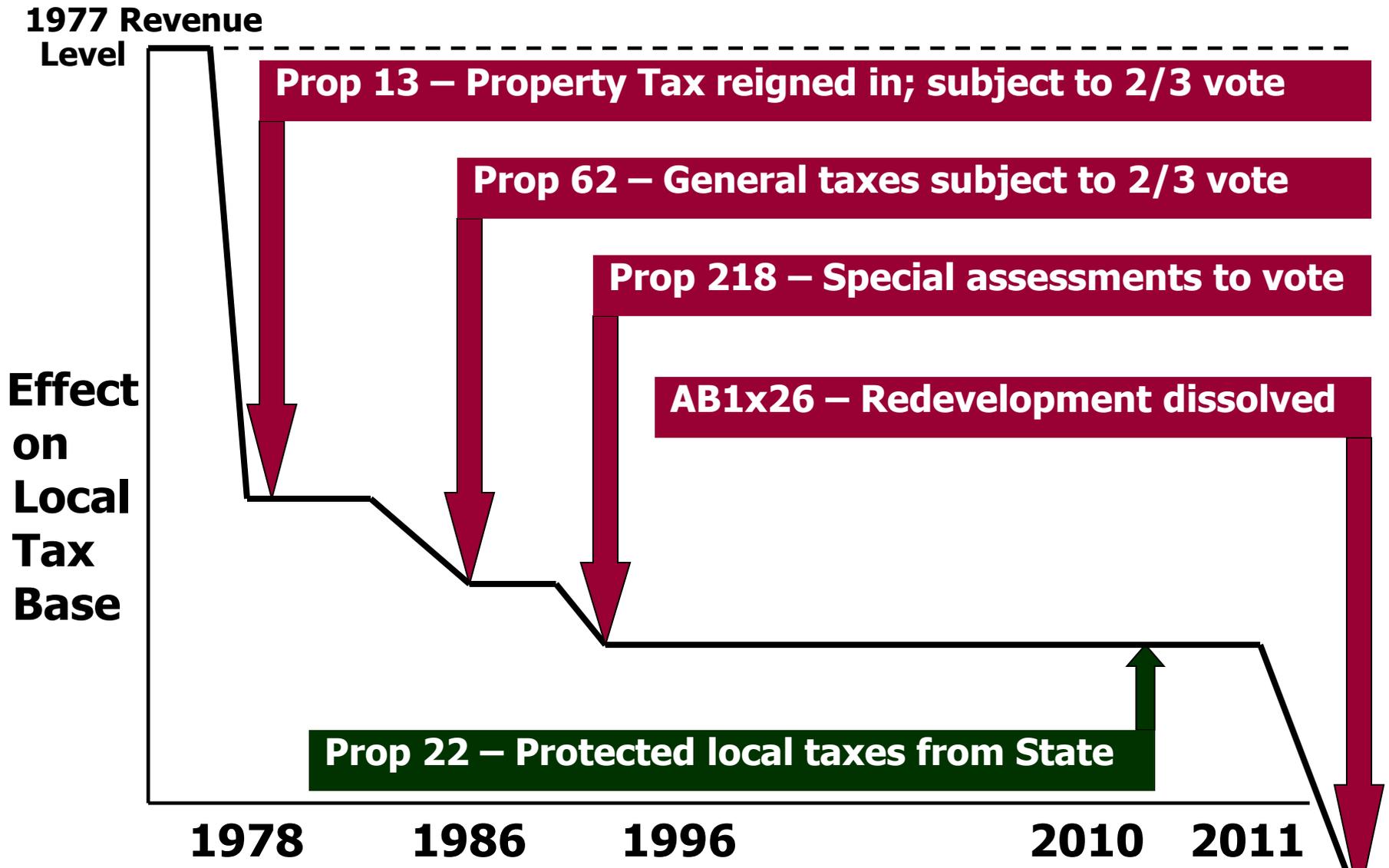
- **Income tax is CA's *largest* revenue source**
Top income earners sway the state budget
 - Personal Income Tax was 51% of CA's total revenue in 2010
 - Earners over \$200K equal 50% of all income tax
- **Sales Tax is prone to dramatic shifts in customer spending.**

May 2012 Budget Revise:

Deficit ballooned to nearly \$16 B. from \$9.2 B.



33 Years of "Tax Revolts"



Note: Not to Scale

Economic Life After Redevelopment

Newer Tools

- Site-Specific Tax Revenue (“SSTR”) Pledges
- EB-5: Immigrant Investor Program

Existing Tools / P3 Structures

- Ground Lease
- Lease-Leaseback
- Tax-Exempt Revenue Bonds
- Project Delivery Methods (P3’s)
- Special Districts – CFD, BIDs
- New Market Tax Credits
- Certificates of Participation (COP)
- Parking Authorities
- Infrastructure Financing Districts (IFDs)

***No more Power Tools,
just hand tools!***

Newer Tools for Economic Development

Site-Specific Tax Revenue (SSTR) pledges

- Pledges taxes to enables public agencies to induce private investment
- Reduces developer's project cost subject to public benefit findings
- Works well in tandem with ground lease

EB-5 Immigrant Investor Program

- Federal program that offers citizenship to immigrants whose investments in real estate and/or businesses in US meet minimum level of job creation
- Created in 1990 by the United States Citizenship and Immigration Service (USCIS), an agency of the Department of Homeland Security
- An EB-5 Regional Center is a legal entity, authorized and approved by the USCIS to deploy funds from foreign investors to stateside projects
- Regulatory Investment requirements:
 - minimum investment of \$1M or \$500,000 for projects located in high unemployment area (Targeted Employment Area / TEA)
 - Creation of 10 permanent jobs in the economy per investment
 - Funds typically invested for five years with low interest rate costs

Existing Economic Development Tools

Project Delivery Methods: CM At-Risk & Design-Build coupled with public financing such as:

- Infrastructure Financing Act (IFA) – (CA Gov't Code Sec. 5956)
The IFA is a procurement statute that allows local governments to obtain private capital to finance "fee-producing" infrastructure.

Ground Leases

- Retain ownership of property/project after lease term is over
- Enables public agencies to achieve long-term cash flow
- Reduces developers up front financing costs

Lease-Leaseback of public assets (Gov. Code Sect 25371)

- Used to monetize public real estate
- Investors lend against equity in existing assets to fund new projects
- Municipality leases facilities to non-profit corporation
- Then sub-leases facilities and sells Certificates of Participation
- Local government owns property after lease term is over

Existing Economic Development Tools

New Market Tax Credits – 39% investor Federal tax credit to provide additional equity and debt funding for eligible urban projects.

Parking Authorities

- Local cities can create for parking and circulation improvement districts
- Can issue debt (bonds/lease-leasebacks) and enter into project agreements
- Authority can manage parking operations and collects parking fees
- Landlord for parking leases and concession agreement

Tax-Exempt Revenue Bonds – utility tax, gas tax, others; primarily for infrastructure & public facilities

Community Facilities District (Mello-Roos & other Special Districts) Private sector leverages property tax payments for infrastructure & services

- Community Facilities Act of 1982 (Gov. Code Sect. 53311 et. seq.)
- Business Improvement District Law of 1994:(Gov Code Sect. 36600 et. seq.)

Infrastructure Financing Districts (IFDs)

- Existing law which allows tax increment financing for public works
- Relatively useless
- If revised properly, could deliver broad-based tax-increment financing

Key Takeaways:

- 1. Cities are in the economic development & real estate business.**
- 2. Public-private deals are needed to maintain local quality of life.**
- 3. It is essential to use a variety of financing tools in the wake of redevelopment. Some of the more effective tools include:**
 - Lease-Leaseback**
 - Site Specific Tax Reimbursements (SSTR)**
 - EB-5 Immigrant Investor Program**
- 4. California must bring back TIF to be competitive.**
- 5. IFD Statute is an existing path to restoring tax-increment financing for job creation & private investment.**
- 6. The Private Sector is California's best advocate for TIF & jobs.**