SANDAG

Regional Plan Social Equity Working Group Agenda

Thursday, June 22, 2023
10 a.m.

Welcome to SANDAG. The Regional Plan Social Equity Working Group (SEWG) meeting is scheduled for Thursday, June 22, 2023, will be held in person in the SANDAG Board Room. While SEWG members will attend in person, members of the public will have the option of participating either in person or virtually.

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Vision Statement: *Pursuing a brighter future for all*

Mission Statement: *We are the regional agency that connects people, places, and innovative ideas by implementing solutions with our unique and diverse communities.*

Our Commitment to Equity: *We hold ourselves accountable to the communities we serve. We acknowledge we have much to learn and much to change; and we firmly uphold equity and inclusion for every person in the San Diego region. This includes historically underserved, systemically marginalized groups impacted by actions and inactions at all levels of our government and society.*

We have an obligation to eliminate disparities and ensure that safe, healthy, accessible, and inclusive opportunities are available to everyone. The SANDAG equity action plan will inform how we plan, prioritize, fund, and build projects and programs; frame how we work with our communities; define how we recruit and develop our employees; guide our efforts to conduct unbiased research and interpret data; and set expectations for companies and stakeholders that work with us.

We are committed to creating a San Diego region where every person who visits, works, and lives can thrive.

Social Equity Working Group

Thursday, June 22, 2023

Comments and Communications

1. Public Comments/Communications/Member Comments

Public comments under this agenda item will be limited to five public speakers. Members of the public shall have the opportunity to address the Regional Plan Social Equity Working Group (SEWG) on any issue within the jurisdiction of the SEWG that is not on this agenda. Public speakers are limited to three minutes or less per person. If the number of public comments under this agenda item exceeds five, additional public comments will be taken at the end of the agenda. Subjects of previous agenda items may not again be addressed under public comment. SEWG members also may provide information and announcements under this agenda item.

+2. Meeting Minutes — Approve

Tessa Lero, SANDAG

The SEWG is asked to review and approve the minutes from its May 25, 2023, meeting.

Meeting Minutes

Reports

3. Chair's Report

Chair Priya Bhat-Patel

Chair Bhat-Patel will present an update on key programs, projects, and agency initiatives.

+4. E-Bike Incentive Pilot Update — Information

Khalisa Bolling, SANDAG

Staff will present an update on the launch and initial progress of the E-Bike Incentive Pilot Program.

E-Bike Incentive Pilot Update

+5. Value Capture in the San Diego Region — Information

Tim Garrett, SANDAG

Staff will present an update on the Land Value Capture Study. The study aims to evaluate land value capture mechanisms that can aid SANDAG and partner agencies in advancing regional housing goals and raising sustainable revenue to implement Regional Plan projects.

Value Capture in the San Diego Region

Att 1 - Value Capture Case Studies Review

Supporting Materials

6. June 9, 2023, Joint Board of Directors and SEWG Meeting — Discussion/ Possible Action

Paula Zamudio, SANDAG

Staff will facilitate a discussion on the June 9, 2023, Joint Board of Directors and SEWG meeting where SEWG members were invited to participate to help inform the development of the 2025 Regional Plan through a social equity lens.

7. Topics for Future Meetings Discussion

The SEWG members will have an opportunity to recommend topics for future meetings.

8. Upcoming Meetings

The next SEWG meeting is scheduled for July 27, 2023, at 10 a.m., and will be held in-person at the San Diego Central Library at 330 Park Blvd., San Diego, CA, 92101.

Please note that the SEWG meetings are now held on the Fourth Thursday of each month.

+ next to an agenda item indicates an attachment

SANDAG

Regional Plan Social Equity Working Group

Item: **2**

June 22, 2023

May 25, 2023, Meeting Minutes

View Meeting Video

Chair Priya Bhat-Patel (Carlsbad) called the meeting to order at 10:03 a.m.

1. Public Comments/Communications/Member Comments

There were no public comments on this item.

2. Approval of Meeting Minutes

The SEWG was asked to approve the minutes from its April 27, 2023, meeting.

There were no public comments on this item.

Action: Upon a motion by Omar Calleros (Chula Vista Community Collaborative) and a second by Fe Seligman (Operation Samahan), the SEWG voted to approve the minutes from its April 27, 2023, meeting.

The motion passed.

Yes: Rose Ceballos (Bayside Community Center), Lisa Cuestas (Casa Familiar), Jesse Ramirez (City Heights Community Development Corporation), Omar Calleros, Rosa Alcaraz (El Cajon Collaborative), Ariana Federico (MidCity CAN), Jose Mirelas (South Bay Community Services Corporation) Claire Groebner (Olivewood Gardens), Fe Seligman, Brian “Barry” Pollard (Urban Collaborative Project), and Erica Leary (Vista Community Clinic).

No: None.

Abstain: None.

Absent: None.

3. Chair’s Report

Chair Bhat-Patel presented an update on key programs, projects, and agency initiatives.

There were no public comments on this item.

Action: Discussion only.

Reports

5. Flexible Fleets Update[1]

Senior Regional Planner April DeJesus and City of San Diego Senior Planner Sarah Pierce presented an update on the final Flexible Fleet Implementation Strategic Plan and the Flexible Fleets Bench and Pilot Project Partnership.

Craig Jones, member of the public, spoke regarding the nexus between flexible fleet implementation and the Regional Plan and funding for services.

[1] Item taken out of order

Jarrod Caswell, member of the public, spoke regarding the service he provides in the City of Imperial Beach to support transit riders and provide a flexible fleet option.

Action: Information only.

4. 2025 Regional Plan: Outreach and Equity

Director of Public Affairs Robyn Wapner, Senior Public Communications Officer Anna Devers, and Associate Public Communications Officer Allie Fen presented the 2025 Regional Plan equity requirements and considerations and requested input on planned public outreach activities.

There were no public comments on this item.

Action: Discussion only.

6. Specialized Transportation Grant Program Overview

Associate Grants Program Analysts Zachary Rivera and Aly Vazquez presented an overview of the Specialized Transportation Grant Program.

There were no public comments on this item.

Action: Information only.

7. Possible Topics for Next Meeting

The SEWG members discussed and recommended possible topics for future meetings.

There were no public comments on this item.

Action: Discussion only.

8. Upcoming Meetings

The next SEWG meeting is scheduled for Thursday, June 22, 2023, at 10 a.m.

9. Adjournment

Senior Regional Planner Paula Zamudio adjourned the meeting at 12:04 p.m.

Confirmed Attendance at Regional Plan Social Equity Working Group Meeting

Jurisdiction	Name	Attended
Chair	Mayor Pro Tem Priya Bhat-Patel	Yes
Bayside Community Center	Rose Ceballos	Yes
	Kim Heinle, Alternate	No
Casa Familiar	Lisa Cuestas	Yes
	Monica Hernandez, Alternate	No
	Goyo Ortiz, Alternate	No
City Heights CDC	Randy Torres-Van Vleck	No
	Jesse Ramirez, Alternate	Yes
Chula Vista Community Collaborative	Omar Calleros	Yes
	Jovita Arellano, Alternate	No
	Christina Ross, Alternate	No
El Cajon Collaborative	Rosa Alcaraz	Yes
	Carol Lewis, Alternate	Yes
MidCity-CAN	Belen Hernandez	No
	Ariana Federico, Alternate	Yes
SBCS Corporation	Kathie Lembo	No
	Mauricio Torre, Alternate	No
	Jose Mirelas, Alternate, this meeting only	Yes
Olivewood Gardens	Jen Nation	No
	Claire Groebner, Alternate	Yes
	Rocina Lizarraga, Alternate	No
Operation Samahan	Fe Seligman	Yes
	Paul Ecado, Alternate	Yes
Urban Collaborative Project	Brian “Barry” Pollard	Yes
	Carmina Paz, Alternate	No
Vista Community Clinic	Erica Leary	Yes
	Nanette Stam	No
	Carmela Muñoz, Alternate	Yes

SANDAG

Transportation Committee

Item: **4**

June 22, 2023

E-Bike Incentive Pilot Program Update

Action: **Information**

Staff will present an update on the launch and initial progress of the E-bike Incentive Pilot Program.

Fiscal Impact: E-Bike Incentive Pilot Program is funded in Overall Work Plan #3501001.

Overview

The 2021 Regional Plan assumes growth in electric bike (e-bike) adoption rates through an investment of $35 million in e-bike incentives over the life of the plan to help reduce vehicle miles traveled (VMT) and greenhouse gas (GHG) emissions.

During the COVID-19 pandemic, U.S. bike sales were up 65% between 2019 and 2020, and e-bike sales grew by 145% in the same period. E-bikes expand the number of people who can ride bikes as a viable option for getting around, because of their speed and ease of travel, which is crucial for traveling across our region's hills. Recent studies have found that people who purchase e-bikes more than double their use of bikes for travel. Not only are they biking more, but studies point to the fact that people are replacing car trips.

SANDAG is partnering with Pedal Ahead - a 501(c)(3) program to implement an e-bike incentive pilot that will expand sustainable mobility options for underserved communities. The pilot will help fulfill a near-term commitment in the 2021 Regional Plan of funding local e-bike incentives while strongly aligning with SANDAG priorities to reduce congestion, advance equity, and combat climate change. SANDAG anticipates using the data gathered from this program to inform future pilots and programs.

The pilot program launched in November 2022 and will run for 24 months. In the first week, 1,500 applications were received to fill 125 spots. Applications are screened using evaluation criteria that prioritize low-income residents living in disadvantaged communities and within 15 minutes of transit. Selected program participants receive an E-bike along with training that maximizes their knowledge of how to use and maintain the bike. Program participants will track their miles traveled through Strava and quarterly surveys. Participants are offered quarterly trainings and group rides led by the San Diego County Bicycle Coalition. After two years, participants can keep their e-bike if they accomplish the program requirements.

Next Steps

Over the next two months, Pedal Ahead will continue distribution of E-bicycles and participants will begin tracking their usage and reporting back to the program. SANDAG will collect and analyze data and report back on progress over the life of the pilot program.

Antoinette Meier, Senior Director of Regional Planning

Key Staff Contact: Khalisa Bolling, (619) 699-1973, Khalisa.Bolling@sandag.org

June 22, 2023

Value Capture in the San Diego Region

Action: Information
Staff will present an update on the Land Value Capture Study.

Fiscal Impact:
The study is part of SANDAG's Housing Acceleration Program and funded in the FY 2023 Program Budget through Overall Work Program Project No. 3321900.

Schedule/Scope Impact:
None.

Overview

As the San Diego region prepares for growth in population and employment over the coming decades, public revenue streams will be increasingly important for meeting local and regional needs. Value capture and joint development are powerful tools that can support this growth by providing local agencies with revenue to accelerate the development of infrastructure, provide housing, and create opportunities for economic development. SANDAG is conducting a Land Value Capture Study to identify and evaluate specific opportunities where value capture and joint development can be implemented. The study will include research of best practices, analysis of regional opportunities, and the development of a long-term strategy and policy recommendations.

Key Considerations

Consistent with SANDAG's Housing Acceleration Program (HAP) strategy, value capture and joint development are financing mechanisms that support the development of housing in coordination with infrastructure investments. Value capture is not one thing, but rather a bundle of tools that empower communities to recover and reinvest increases in land value that result from public investment. Typically, communities are able to capture increases in the value of privately owned land through new taxes or by redirecting new revenues generated from existing tax mechanisms. Value capture revenues can be reinvested in communities as they are collected, or a Public Financing Authority can bond against future revenues to fund the improvement that will generate the increase in land values. Joint development similarly captures part of the economic value created by public infrastructure. With joint development, a public agency—often a transit operator—sells or leases its publicly owned land to private developers for residential and other uses.

The first deliverable from this study documents best practice where value capture and joint development have been implemented. The review identifies opportunities, gaps, and challenges with respect to the context of the San Diego region and is attached to this report. The project team developed criteria to screen and evaluate value capture and joint development opportunities for projects in the San Diego region. The screening tool is a dynamic excel model that uses multiple inputs including the project's location, regulatory context, and real estate history to assess the suitability of the different instruments and the magnitude of potential revenue generation. The tool could be used to assess a variety of projects in which public investment triggers a substantial increase in land values, ranging from a mega project like the Central Mobility Hub, a new housing development at an existing transit parking lot, a new commuter rail line, and an active transportation project.

The screening and evaluation criteria, along with the excel tool, are being finalized and tested using real opportunities in the San Diego Region. The joint development component is being tested for the Tecolote Road Station on the Blue Line, where preliminary analysis suggests that joint development of residential units at the Tecolote Road Station is feasible. The value capture component is being tested for the Kearny Mesa Station on the Purple Line commuter rail line proposed in the 2021 Regional Plan, where preliminary analysis suggests that the simultaneous implementation of an Enhanced Infrastructure Financing District and a Community Facilities District could generate revenue to partially offset construction costs.

Next Steps

This study will culminate with a Value Capture Implementation Strategy, an actionable work plan for implementing value capture and joint development in the region. It will include recommendations for regional priorities, phasing, legislative needs, and sample policy templates. The Value Capture Implementation Strategy is intended to provide a roadmap and tools for both SANDAG and our member agencies to successfully leverage these powerful tools toward furthering investments in our communities' housing and infrastructure.

Antoinette Meier, Senior Director of Regional Planning

Key Staff Contact: Tim Garrett, (619) 595-5337, tim.garrett@sandag.org

Attachment: 1. SANDAG Regional Value Capture Assessment Study

Task 2 Deliverable: Case Study & Statutory Authority Review of Value Capture and Joint Development Implementation

SANDAG Regional Value Capture Assessment Study

SANDAG HR&A

February 2023

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Introduction

The HR&A-Sperry-KPMG Team (the Consultant Team) is conducting the **Regional Value Capture Assessment Study** (the Study) for the San Diego Association of Governments (SANDAG). The purpose of this study is to:

I. Identify and evaluate value capture (VC) instruments and joint development (JD) opportunities for SANDAG's Regional Plan projects and the challenges in their implementation;

II. Develop a long-term strategy that can aid SANDAG and partner agencies in advancing regional housing goals and raising sustainable revenue to implement Regional Plan projects; and

III. Produce policy recommendations for SANDAG on how to overcome these challenges, particularly in light of the multi-jurisdictional nature of addressing regional housing needs and critical infrastructure projects in the San Diego region.

Introduction

As part of this study, the Consultant Team is conducting the present **Case Study & Statutory Authority Review of Value Capture and Joint Development Implementation** in the San Diego region (Deliverable 2). This document contains three sections, including:

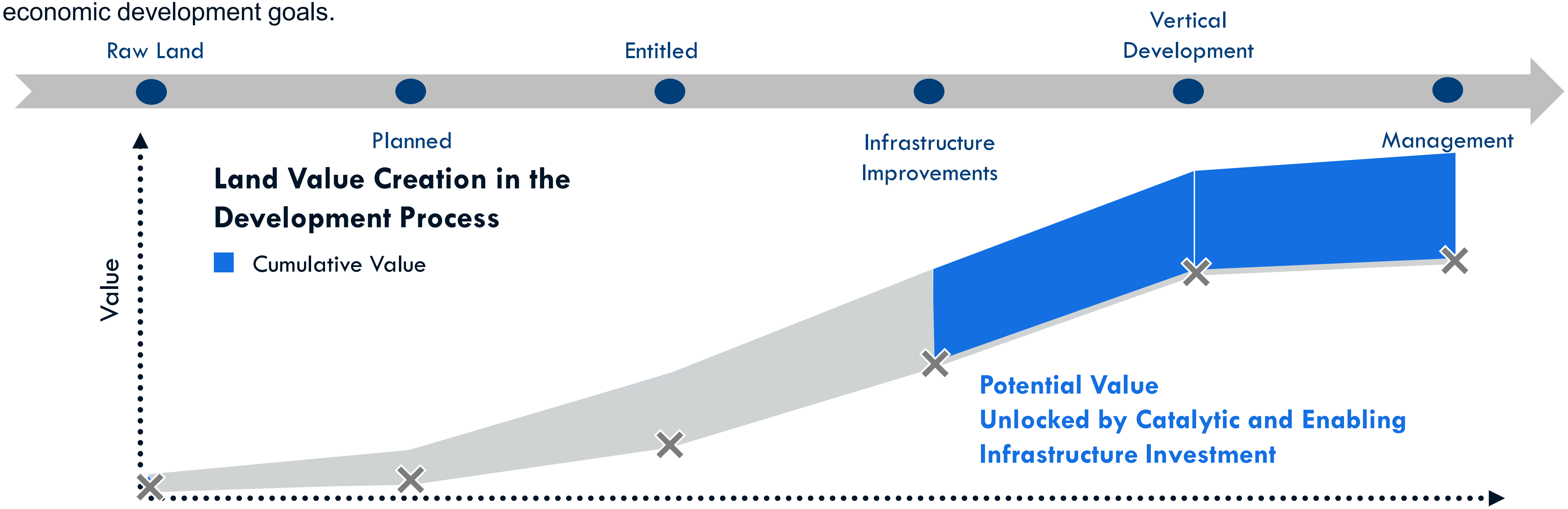
I. An Overview of Regional Context for Value Capture and Joint Development Implementation. This sections covers:
   I. A summary of key government stakeholders, statutes and legislation needed to implement VC instruments and pursue JD opportunities in the region that would allow for increasing housing supply;
   II. The existing gaps and challenges for implementation; and
   III. A review of existing local taxing mechanisms in the region and whether they conflict or support SANDAG's goals of promoting VC instrument and JD opportunities.

II. Case studies of VC instruments and JD implementation in the United States and abroad that help address regional housing and infrastructure goals, as well as the existing gaps and challenges for implementation in the San Diego region.

III. Key lessons with regards to policies that SANDAG could consider promoting to address existing gaps.

Use of Value Capture to Achieve Local Development Goals

Value Capture is a powerful tool that can help cities and counties in the San Diego Region generate the public revenues required to finance the implementation of the significant additional infrastructural improvements and affordable housing units needed to accommodate the region's development activity as well as its expected population and employment growth. By **capturing part of the increases in land and property values generated by infrastructure improvements**, local jurisdictions can secure significant funding streams to fulfill their economic development goals.



Use of Joint Development to Achieve Local Development Goals

Through joint development, a transit agency can capture part of the economic value created by its transit system and use the revenues to help fund operating expenses and infrastructure works. More specifically, **joint development enables public transit agencies to sell or lease land around existing or planned public transportation stations to private developers for residential and other uses, including the development of affordable housing units**. Pursuing joint development opportunities can help achieve local economic development goals, mainly by:

- Including affordable housing component in joint development plans, which can help address regional affordable housing deficits, ensure equitable access to public transportation for households at all income levels, and mitigate gentrification or displacement concerns that may arise when new transit systems and stations are planned and constructed;
- Generating housing units around regional transportation nodes, thereby increasing the number of residents who have easier access to regional jobs and services;
- Supporting increased economic activity along transit lines and establishing a node to attract additional walkable development nearby;
- Generating increases in transit ridership, reducing vehicle miles traveled and greenhouse gas emissions; and
- Providing transit agencies with additional revenue.

EXECUTIVE SUMMARY AND LESSONS FOR SANDAG

Key Takeaways from Gaps and Challenges Analysis

Instruments Affected	Gap/Challenge
Common to all VC instruments	Fragmented municipal governments with competing objectives
	SANDAG lacks land use control and taxing authority
	High infrastructure funding and financing needs for large transformative TOD projects
	Underleveraged opportunities to monetize non-real estate assets
	Uneven project delivery capacity across jurisdictions
Community Facilities District (CFD)	CFD tax levy requires 2/3rds vote of registered voters of district if 12 or more of landowners.
	The County of San Diego has a tax burden limit of 1.86% from all taxes on a property.
Special Assessment District	Requires special and direct benefit to properties that are assessed. The benefit must be particular and distinct as compared to general benefits received by other properties in the district.
Tax Increment Financing (TIF)	Taxing entities must agree to redirect their property tax increment away from general fund for other purposes to TIF district for its uses. Some entities do not receive a significant enough share to be meaningful participants.
	Revenue growth takes time and there is lack of bond financing precedent in California.
Impact Fees	Fees require a nexus between the development project and the cost of its impact, and the fee must be proportional to the cost/impact of the project. The timing and amount of fees are unpredictable.
Joint Development and Air Rights	Lack of robust and consistent joint development/transit-oriented development policies across cities and agencies throughout region.
	Land ownership is held by different public bodies/transit entities (NCTD, MTS, city governments, county governments) with competing timing and objectives.

Lessons from Case Studies on SANDAG's Gaps and Challenges Regarding Value Capture and Joint Development Implementation

Lessons for Legal and Regulatory Challenges

- **Regional Agencies assigned with land use and tax sharing authority can be more successful in optimizing implementation of VC tools.** This would address the issue of municipal governments in the SANDAG region having competing objectives and SANDAG's lack of land use control and taxing authority. In the case of the Metro de Medellin, acquiring a special "*Urban Operator*" status through new regulations allowed Metro to take over functions from different city agencies within areas close to public transit.
- **There is no optimal TIF instrument in California,** as taxing entities within a TIF district are not required to redirect property tax increment. This is partly due to the lack of state-level criteria and regulations on the participation of counties in EIFDs. Regulations such as the one approved in LA County, which guides county decisions over EIFD participation, could be considered in the San Diego region to help streamline the decision-making over participation of Counties in EIFD governance and funding contributions.

Lessons from Case Studies on SANDAG's Gaps and Challenges Regarding Value Capture and Joint Development Implementation (cont.)

Lessons for Institutional and Governance Challenges

- **The creation and organization of special purpose entities that can work across public and private stakeholders as well as execute land use, infrastructure, and tax functions can be an effective way to streamline planning and delivery.** A special purpose joint powers entity can be a valuable vehicle to drive decision-making and group resources and expertise between stakeholders with differing capabilities and desires, as in the case of the Transbay Joint Powers Authority. Through the *Operador Urbano* figure, Metro de Medellin exercises multiple functions that allows it to spearhead capital improvements, lead the revitalization of areas around Medellin's mass transit corridors, and obtain funding and financing for large infrastructure projects.
- **Initial planning for a development project can include support for future land value capture instruments**. For example, the initial Transbay Redevelopment Plan was approved in 2012, two years before the Transbay CFD was. This publicly-developed plan helped lay the path for the approval of the CFD.

Lessons from Case Studies on SANDAG's Gaps and Challenges Regarding Value Capture and Joint Development Implementation (cont.)

Lessons for Market and Financial Challenges

- **Multiple value capture tools can be combined to balance the timing and magnitude of expected revenues.** In Hudson Yards, since most revenues from Payment-in-lieu-of-taxes are not immediate, the one-time payments from density bonus sales provided revenue upfront. In the case of Transbay, the creation of a TIF district was combined with land sales and a CFD and a lease agreement over facilities that represented shorter-term sources of funding.
- **Future lease payments in long-term ground leases of public property can be used to leverage upfront financing.** In New York, the MTA issued $1B in bonds against its Hudson Yards ground leases to private developers, Related and Oxford Properties, which are expected to bring in cash flows of over $2 billion over a 99-year term.
- **A backstop from city or county governments can help spearhead the implementation of VC instruments**, particularly of those that can back debt issuances. However, backstops expose local jurisdictions to substantial market risks. For example, the City of New York's promise to cover interest payments for the Hudson Yards Investment Corporation (HYIC) became an expensive obligation as it supported HYIC's bonds during economic downturns like the Great Recession.
- **Revenues obtained thus far by approved EIFDs are quite limited in magnitude**, which prevents the issuance of EIFD-bonds to finance their infrastructure goals. Despite the existing limits in obtaining higher revenues, cities with approved EIFD are finding ways to use future revenues to accelerate the execution of infrastructure projects today in ways that do not necessarily include EIFD-issued bonds. In La Verne, the City is issuing bonds to pay for infrastructure works and the EIFD commits to reimbursing the City once it had a sustained revenue stream.

Lessons from Case Studies on SANDAG's Gaps and Challenges Regarding Value Capture and Joint Development Implementation (cont.)

Lessons for Operational Challenges

- **Existing entities may need to adapt their internal statues and organization structure to be able to effectively exercise delegated or newly-acquired authority to implement and manage VC.** As part of its conversion to an Urban Operator, Metro de Medellin changed internal processes and statutes, and created an Enterprises Management Division with attributions to sponsor and participate in business deals outside strictly transportation-related operations.
- **Special purpose entities with VC revenue collection authority may allow to streamline and ringfence funds for priority projects.** In the case of Hudson Yards, revenue is collected in a way that all proceeds go towards the financing of the project by avoiding passing through the City Finance Department and General Fund. PILOTs in the Hudson Yards Financing District are collected by the Industrial Development Agency, then transferred directly to HYIC as revenue to repay debt obligations.
- **The creation of special purpose entities can bring operational challenges to cities, particularly when it requires new dedicated staff**. In the case of EIFDs, their governance is exercised by Public Financing Authorities (PFI), where both county and city representatives are members (if the county agrees to participate in the EIFD). In all cases, PFIs are reliant on staff and technical resources from each city. This could potentially strain city operations and/or require significant existing capacity in city staff in order to support EIFD operations.

OVERVIEW OF REGIONAL CONTEXT FOR VALUE CAPTURE AND JOINT DEVELOPMENT IMPLEMENTATION

Summary of Key Government Stakeholders, Statutes and Legislation

Value Capture Instruments
Definitions

Value Capture Mechanism	Definition	Potential Applications
Community Facilities District (CFD)	CFDs are special tax districts generally created by cities or counties in California to raise revenue to finance facilities and services through the levy of special taxes on properties in the district. The setting of district boundaries and the tax levy are flexible. The tax must be reasonable and cannot be ad valorem. Often used for new developments. CFDs are used frequently in California, and many implemented at the County and City level in San Diego.	CFDs are flexible in the type of improvements or services that can be paid for. They are used most commonly for streets, water, sewer/drainage, electricity infrastructure, schools, parks & police.
Special Assessment District (SAD)	SADs provide for annual assessments on properties within a designated district and can be applied only if those properties receive a special benefit (over and above any benefit that other properties or the general public may receive) from the public improvement. The assessment must be based on the proportional cost of the “special benefit” received by each property owner in the district. The San Diego region has several assessment districts.	The most common districts are for improvement and maintenance of roads, annexations to the Countywide Street Lighting District; and County Services Areas (CSAs) for landscape maintenance, park maintenance, fire protection services, and paramedic services.
Tax Increment Financing (TIF)	Various types of TIF can be used to fund and finance facilities and improvements of communitywide significance in California. Participating taxing entities may voluntarily agree to contribute some or all of their property tax revenues on incremental assessed value increases of properties in the district for this purpose. Due in part to Proposition 13 – which, in broad terms, limits the annual growth of assessed values to 3%, unless the property is transacted – it takes time for incremental assessed value, and as a result TIF revenue, to grow. However, growth can take place faster when properties are transferred from one party to another (e.g., from public to private ownership) and in areas of significant new private development activity. School districts are unable to participate in TIF.	TIF requirements vary by program and state to state and are most often used in areas suffering from blight or declining property values for improvements like affordable housing, utility upgrades, or infrastructure investments.

Value Capture Instruments
Definitions

Value Capture Mechanism	Definition	Applications
Impact Fees	Also called mitigation fees, they refer to payments (not a tax or assessment) imposed by local governments on developers of proposed real estate projects to cover all or a portion of the cost of impact (i.e., the cost of provision of new public facilities/services) stemming from the development project. The impact fee must correlate to the cost of impact created by the development project. Impact fees can be included as part of development agreements or through a broader impact fee program associated with all new development to support certain area-wide improvements. Cities throughout San Diego County have development impact fees programs that provide revenue to the cities for covering costs associated with new development.	New development requiring use of public infrastructure like roadways, utilities, and schools.
Joint Development (JD)	JD consists in a partnership between a public agency, private developer, and other entities such as a local government to develop land owned or controlled by the public sector. The public agency typically maintains some control over development type and project requirements, among others. JD agreements can be structured as public-private partnerships or with other cost and profit-sharing arrangements	In addition to public facilities, projects can include mixed-use complexes, housing, or workforce developments, and can be used to address housing equity and other issues.
Air Rights	Rights sold or leased under a competitive process to a private entity to develop the air space above a new or existing public facility or infrastructure.	Any type of development, often with certain specifications from the public entity selling or leasing the rights, like affordable housing.

Value Capture Instruments

Key Stakeholders, Relevant Statutes, and Legislation

The table below provides an overview of the relevant statutes, stakeholders and enabling legislation for the value capture mechanisms in California and the San Diego region.

Value Capture Instruments	Key Stakeholders	Relevant Statutes and Legislation
CFD	Public Sponsor Entity, Landowners / Registered Voters	Authorized by the Mello-Roos Act of 1982. Requires 2/3rds of the vote by registered voters (if 12 or more) or, if less than 12, then landowners within proposed district. The County of San Diego has produced a sample policy for the implementation of CFDs.
SAD	Property Owners, Public Sponsoring Agency	Authorized under the Improvement Act of 1911 (Streets & Highways Code sect. 5000 et seq.), the Municipal Improvement Act of 1913 (Streets & Highways Code sect. 10000 et seq.), and the Improvement Bond Act of 1915 (Streets & Highways Code § 8500 et seq.). Requires voter approval—the SAD can proceed with no majority protest of property owners within proposed district.
TIF	City, County, Other Taxing Entities, Landowners / Registered Voters, when vote is applicable	Each TIF type has its own nuanced requirements. The governing body is either the sponsor's legislative body or a separate governing body and document (e.g., for an EIFD the governing body is a Public Financing Authority and governing document is an Infrastructure Financing Plan). Enabling legislation*: • Infrastructure Financing District (IFD): SB 308 (1990) • Infrastructure and Revitalization Financing Districts (IRFD): AB 229 (2013) • Enhanced Infrastructure Financing District (EIFD): SB 628 (2014) • Community Revitalization & Investment Authorities (CRIA): AB 2 (2015) Voter approval depends on form of district. For EIFD and CRIA, no vote required for district formation or bond issuances, but there is a public hearing process that must not have majority protest against formation The City of San Diego has released a set of sample policies for the implementation TIF tools within its jurisdiction.
Impact Fees	City and Developers	Primarily governed by AB 1600 California Mitigation Fee Act passed in 1987. AB 1600 allows impact fees to be imposed by the local jurisdiction without a popular vote. However, a nexus study is required. The City of San Diego has released a set of sample policies for the implementation of impact fees within its jurisdiction.

Value Capture Instruments	Key Stakeholders	Relevant Statutes and Legislation
Joint Development	Agency, City, Developers	A public sector entity that owns or controls land in California can enter into a joint development agreement with developers (within the context of local procedures and regulations). No voter approval is required. In the San Diego region, both MTS and the North County Transit District have JD programs in place.
Air Rights	Agency and Developers (within zoning constraints)	Air rights are considered real property by Property Tax Rule 124 in California. Air rights are legal in California, but are restricted by height in local zoning codes, technologies used, and program types. No voter approval is required.

Gaps and Challenges for Value Capture and Joint Development Implementation

Gap/Challenge	Impact	Type of Gap/Challenge			
		Legal / Regulatory	Institutional / Governance	Market / Financial	Operational
Challenge 1: Coordination and alignment across jurisdictions	Multi-jurisdictional infrastructure projects would benefit from the implementation of VC instruments for its funding across all the jurisdictions served by transit or other investments, but not all jurisdictions might agree on their value or have the conditions to implement them.	✓	✓		
Challenge 2: Lack of regional-level land use and taxing powers	Fragmentation in decision-making for VC instruments could be addressed by centralizing land use and taxing decisions in SANDAG, but the agency does not have this power and therefore needs to coordinate individually with each local jurisdiction.	✓	✓		
Challenge 3: High infrastructure funding and financing needs for large transformative TOD projects (for e.g., Central Mobility Hub, High Speed Rail)	Layering of multiple tools and resources with multi-jurisdictional coordination is required to reach magnitudes that are relevant for projects with large capital costs, with VC being a significant resource only in high-value and/or dynamic markets.			✓	
Challenge 4: Underleveraged ancillary sources of revenue	Missed opportunities for obtaining additional revenues from non real estate resources such as advertising, media, retail and broadband leases/concessions.		✓	✓	✓

Gaps and Challenges

Common to all VC instruments in the SANDAG region (cont.)

Gap/Challenge	Impact	Type of Gap/Challenge			
		Legal / Regulatory	Institutional / Governance	Market / Financial	Operational
Challenge 5: Uneven project delivery and administrative capacity across jurisdictions	Not all jurisdictions can implement VC instruments that require dedicated staff as well as regularly updated land and property value assessments.				✓

Gaps and Challenges

By type of instrument: Mello-Roos CFD

Gap/Challenge	Impact	Type of Gap/Challenge			
		Legal / Regulatory	Institutional / Governance	Market / Financial	Operational
Challenge 6: Challenging approval processes.	CFD tax levy requires 2/3rds vote of registered voters of district if 12 or more of landowners, weighted by acreage, if less than 12. The approval process is more efficient and generally less challenging through a landowner vote. As a result, CFDs are often used for new (greenfield) developments. As an example, sole landowners approved the tax levy for CFDs: in 2014 in the City of Ramon and in 2020 for the Mission Rock CFD in SF. [1] Some landowner votes have been questioned, so appropriate legal support is necessary.[2]	✓	✓		
Challenge 7: Taxes should not be so high as to discourage development/property ownership.	The County of San Diego has a tax burden limit where the total of all taxes on property is capped at 1.86%, at the time the CFD is formed, of the estimated sales price of subject properties to an end user within the district. This tax burden cap applies at the time the CFD is adopted and is only applicable to the parcels within the region that is under the County of San Diego's land use jurisdiction.[3]				✓

1. https://www.counties.org/csac-bulletin-article/recent-ruling-clarifies-mello-roos-issue; and https://onesanfrancisco.org/sites/default/files/2020-02/Agenda%20Items%204%20and%205%20-%20Mission%20Rock%20CFD%20Memo.pdf
2. Examples: City of San Diego vs Shapiro (2014) and Horizon Capital Investments, LLC v. City of Sacramento (2019)
3. https://www.sandiegocounty.gov/content/dam/sdc/grandjury/reports/2021-2022/CommunityFacilitiesDistrictReport.pdf

Gaps and Challenges

By type of instrument: Special Assessment District

Gap/Challenge	Impact	Type of Gap/Challenge			
		Legal / Regulatory	Institutional / Governance	Market / Financial	Operational
Challenge 8: Complexities in relating an improvement to a property assessment	In determining whether to form an assessment district, the public agency must define: the services or improvements to be funded; the special benefit that properties in the district will receive; the cost of the services and improvements; and the direct connection between the share of costs each property in the district will bear in relation to the benefit it will receive. Requires special and direct benefit to properties that are assessed; with the assessment being proportional to the benefit received by the property. The benefit must be particular and distinct as compared to general benefits received by other properties in the district or the general public at large. Requires an engineer to determine the specific benefit and fair allocation of taxes. Consequently, its implementation can be more complex/time consuming, and limitations exist on applicability of this type of district and on amount of funding/financing it can raise.	✓		✓	

Gap/Challenge	Impact	Type of Gap/Challenge			
		Legal / Regulatory	Institutional / Governance	Market / Financial	Operational
Challenge 9: Alignment across tax entities on EIFD contributions.	Taxing entities (cities and counties) must agree to redirect incremental revenue from their taxes (i.e., Property tax and tax In Lieu of Vehicle License Fee) away from the general fund to an EIFD. While partnering among taxing entities can bring a larger stream of revenue, their participation is voluntary, even if their jurisdiction is benefitted by EIFD-related infrastructure works. Moreover, the decision to participate requires, at a minimum, a finding of net fiscal benefit (i.e., considering impacts to the general fund and additional costs of public service provision due to new development in the EIFD) to contributing entities.	✓	✓		

Gap/Challenge	Impact	Type of Gap/Challenge			
		Legal / Regulatory	Institutional / Governance	Market / Financial	Operational
Challenge 10: Revenue growth takes time and there is lack of bond financing precedent in California.	Several EIFDs (one of the more flexible types of TIF districts) have been formed in California (e.g., Otay Mesa in San Diego, West Sacramento, Fresno, LA Verne, Palmdale, Placentia) but no bonds have been issued to date. One bond issuance for Treasure Island, an IFRD, was issued in 2022 in the par amount of $29.39M (district formed in 2017). The lack in issuances results, in large part, because revenue growth tends to be slow; it depends on, and lags assessed value growth. This tool generally works best in high assessed value/private development growth areas.			✓	

Gap/Challenge	Impact	Type of Gap/Challenge			
		Legal / Regulatory	Institutional / Governance	Market / Financial	Operational
Challenge 11: Unpredictable magnitude and timing of impact fees.	Impact fees are one-off fees that require a nexus between the development project and the cost of its impact, and the fee must be proportional to the cost/impact of the project. The timing and amount of fees are unpredictable. As a result of the requirements, impact fees/impact fee programs can be complex to implement. They also can be seen as a disadvantage to new property purchases/developments in relation to existing properties and generally less effective/applicable in lower growth and less populated areas. As a result of the one-off, unpredictable nature, they cannot be used to leverage upfront financing.	✓		✓	

Gap/Challenge	Impact	Type of Gap/Challenge			
		Legal / Regulatory	Institutional / Governance	Market / Financial	Operational
Challenge 12: Lack of robust and consistent joint development/transit-oriented development policies across cities and agencies throughout region.	For instance: • NCTD Joint Use and Development of Real Property Board Policy #33 has focus on maximizing revenue, minimizing risk, design and placemaking, increasing transit ridership, supporting dense uses. • MTS Joint Development Program, April 2019 has focus on MTS view of property as a good candidate, support from city, sufficient parking ratios, housing affordability (minimum of 20% affordable), high density, mobility hub services, transit amenities and technologies.		✓		✓
Challenge 13: Competing timing and objectives of public landowners.	Land ownership is held by different public bodies/transit entities, NCTD, MTS, cities, other entities sometimes with. No single entity leading the effort for a coordinated joint development/TOD approach in each city to maximize value and achieve other common local/regional objectives. Examples include NCTD plans at Carlsbad Village, Poinsettia Stations, and Oceanside Transit Center and MTS at Encanto and Grantville Trolley Stations. Some cities also lack TOD-supportive zoning in their station areas.		✓		

Existing Taxing Mechanisms and Implications for Value Capture Instruments and Joint Development Implementation

Existing Taxing Mechanisms
Criteria to Assess Interaction with VC and JD

The Consultant Team has assessed six taxing mechanisms suggested by SANDAG, which predominately rely on property taxation. The Consultant has assessed each tax against the following two key considerations related to the implementation of value capture instruments and joint development:

1. **Significant revenue potential:** based on precedents in the San Diego region and other markets, the Consultant Team assessed whether the taxation mechanism has the potential capacity to provide a significant revenue for reinvestment.
2. **Potential threat of over-taxing development:** the Consultant Team assessed whether the existing tax, in conjunction with additional taxes, fees, and charges brought by VC implementation, could pose a risk of over-taxing developers and/or property owners, thereby disincentivizing real estate development and negatively impacting the financial viability of potential projects and real estate supply.

Details on each taxing mechanisms are included as part of Appendix 1 – Existing Taxing Mechanisms in SANDAG Region.

Existing Taxing Mechanisms
Summary of Interaction with VC

The table below summarizes the potential interactions – either positive or negative – of existing real estate taxes in the San Diego region with value capture instruments. These conclusions are based on the descriptions of each instrument in the following pages.

Name	In use in the San Diego region?	Main Characteristics	Key Considerations		Observations
			Significant Revenue Potential	Threat of over-taxing development	
Documentary Transfer Tax *(California Department of Tax and Fee Administration)*	YES	• Occurs when property ownership changes hands • Traditionally paid by the seller • Varies depending on County	●		Expected to raise \$600M - \$1.2B annually in Los Angeles. However, the amount may be significantly less in the City of San Diego.
Parcel Tax *(Local Government)*	YES	• A property tax levied on owners of parcels • Predominately a flat rate (not levied based on size or value), limiting its function • Requires 2/3 voter support to be imposed		●	Parcel tax is predominately a flat rate. However, it can also be levied on land size, providing a greater potential revenue stream.
Commercial Linkage Fee *(Local Government)*	YES	• A fee levied on all new commercial and institutional developments larger than 100,000 square feet	●	●	Housing Impact Fee in the City of San Diego, as of 2019, has raised over \$65M, with funds supporting the construction of over 5,000 affordable housing units.

Existing Taxing Mechanisms

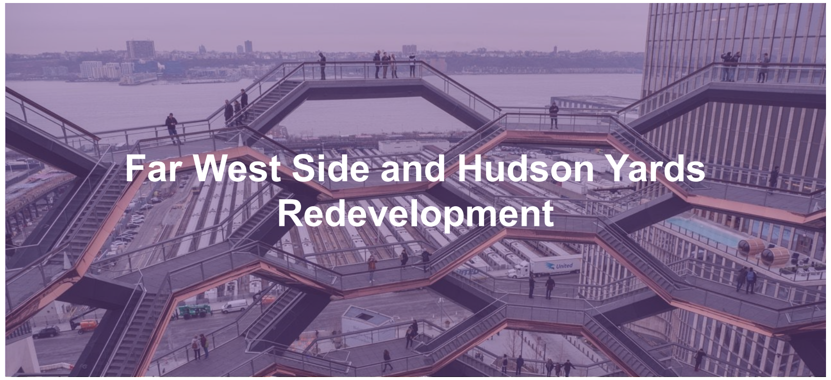
Summary of Interaction with VC

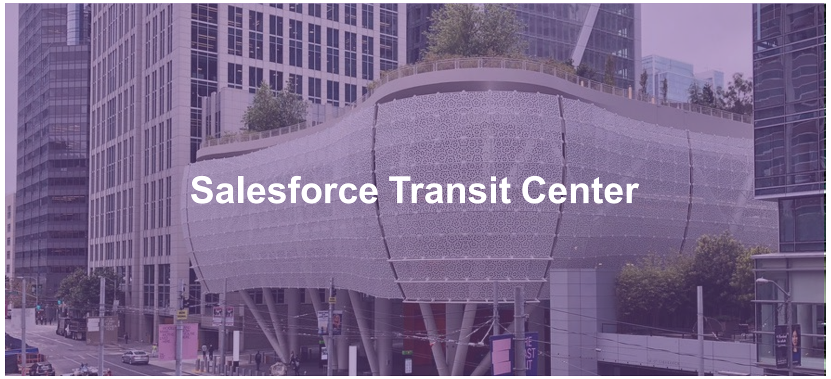
Name	In use in the San Diego region?	Main Characteristics	Key Considerations		Observations
			Significant Revenue Potential	Threat of over-taxing development	
Vacant Property Tax *(Local Government)*	NO	• Precedent exists in San Francisco. • Applies to owners of residential buildings with three or more units vacant for more than 182 days per year. • The Commercial Vacancy Tax rate is a tax on certain commercial spaces that are vacant for more than 182 days.	●		In San Francisco, precedent suggests that this tax mechanism has the capacity to produce over $20M of revenue annually. No such precedent exists for the San Diego region.
Business License Tax *(California Department of Tax and Fee Administration)*	YES	• A tax on business owners • The tax can relate to property owners, linked to an LLC or partnership, extending its reach and capacities		●	The tax increase is expected to raise $2.98M - $3.45M annually with funds going towards affordable housing initiatives.
Corporate Real Estate Investor Tax *(Proposed)*	NO	• Proposed in the state of California • May levy a 25% tax on an investor's net capital gains from the property's time of purchase until final sale or exchange	Undetermined		Has potential to raise $4B across the state but it is only a proposal at this stage.

CASE STUDIES

Case Studies
Overview

The Consultant Team conducted the four case studies highlighted below, which were identified and prioritized from a longer list in coordination with SANDAG. In each case study and following the categories of the “gaps analysis”, the Consultant Team analyzed the implementation of VC instruments and JD through four lenses: a) Legal and Regulatory; b) Institutional and Governance; c) Market and Financial; and d) Operational. Each case study provides an overview of the project using these four criteria and expands on those most relevant to address the identified gaps for SANDAG.






United

Far West Side and Hudson Yards Redevelopment
Overview

Location	New York, NY
Start Date	Planning began in 2001 and broke ground in 2012
Project Stage	Expected to be fully completed by 2027, with much of the development already operational today.
Capital Cost	The public cost of the project was over $3 billion, with private investment bringing the total development to over $25 billion
Value Capture Instruments Used	PILOT, Tax Equivalents, Density Bonuses
Joint Development Agreements	Ground lease between the MTA and Private Developer, with deck built over rail yards by Private Developer
Key Stakeholders	City of New York, City-owned Economic Development Corporation, Local Transit Authority (MTA), Private Developers
Governance	Two special purpose non-profit corporations, the Hudson Yards Development Corporation (“HYDC”) and Hudson Yards Investment Corporation (“HYIC”)
Description of Infrastructure project	Following the rezoning of the 60-block district on the Far West Side of Manhattan, the City of New York planned and redeveloped the formerly industrial area into a high-density, mixed-use neighborhood, now called Hudson Yards. Hudson Yards became the most expensive real estate development project ever in the United States and the largest in over 80 years.

Far West Side and Hudson Yards Redevelopment

Relevance for SANDAG

Legal and Regulatory

- The project is able to work around the constraints and requirements of the TIF laws in NYS through Pilot Increment Financing (PIF), a TIF-like district that involves the use of payments in lieu of taxes (PILOTs) instead of the property tax levy. Local governments enter into PILOT agreements with the owners of specific redevelopment sites and agree to use a portion of the proceeds to fund capital improvements related to the development.

Institutional and Governance

- The City created two non-profit special purpose entities to manage the project.
  - HYDC is a local development corporation that manages the implementation and ongoing operations of the public investments.
  - HYIC has the authority to issue debt to finance the public investment, separating the debt obligation from the City.

Market and Financial

- The City enhanced the credit conditions of HYIC's bonds by pledging to provide interest support when the HYIC receives insufficient funds from its primary sources of revenue, addressing the challenge of high project costs (challenge 3).
- The Metropolitan Transit Authority ("MTA") used its ground lease agreement with private developers, to issue $1B in debt by offering the Hudson Yards ground leases as securities.

Operational

- PILOTs in the Hudson Yards Financing District are collected by the Industrial Development agency (IDA), then transferred directly to HYIC as revenue. Since HYIC receives PILOTs directly, the funds do not flow through the City, avoiding the City's budget-making process and streamlining revenue collection (challenge 9).

Far West Side and Hudson Yards Redevelopment

The City formed two special purpose entities to finance and oversee the public infrastructure projects.

<u>Governance Structure</u>

Initial district planning and rezoning efforts for the full project district were City-led, executed by the New York City Department of City Planning and Economic Development Corporation.

When the project went to the implementation stage, two independent local development corporations were created to manage and execute the public investments as per the Far West Side Plan:

- **The Hudson Yards Development Corporation ("HYDC")** is a local development corporation under the laws of the State of New York, with board members appointed by the Mayor, that was charged with managing the planning, design and development of the rezoning area (except for the 7-train extension, overseen by the MTA). Established by the City in 2005, the HYDC spearheaded the implementation of the City's Hudson Yards development program. To accomplish its mission, HYDC collaborates with the various City and State entities and agencies that are involved in financing, planning, development and construction of the area, ensuring that the vision for the district is realized.
- **The Hudson Yards Infrastructure Corporation ("HYIC")** is a not-for-profit corporation with the ability to issue bonds to finance capital improvements in the area. The 7-train extension was an expensive public investment that otherwise was not a capital priority for the MTA or the State but was critical to draw private investment and development to the project area. The creation of the HYIC created a designated entity responsible to take on the risk of financing the extension and other public real improvements in the plan.

Far West Side and Hudson Yards Redevelopment

Roles and Responsibilities by Entity

Planning & Design

Department of City Planning (DCP)

- Identified the Far West Side as a redevelopment priority
- Along with NYCEDC, develops planning, real estate, & financing studies

Implementation

HYIC
Special purpose local development corporation created by the City as an instrumentality of the City

- Issued $3.5B of revenue bonds to provide initial financing

HYDC
Local development corporation created by the City to manage the Hudson Yards Project

- Manages the planning, design, and development of the Hudson Yards area

MTA

- Designs and constructs the 7-train extension, financed by HYIC

Related Companies & Oxford Properties

- Master developer for the West Side Rail Yards
- Funded deck construction, land creation, and a public square

Operations

HYDC

- Managing and overseeing the Hudson Yards full development

Related Companies & Oxford Properties

- Acts as master developer of Hudson Yards.
- Holds a 99-year NNN air rights lease.

Key

Far West Side

Hudson Yards

Far West Side and Hudson Yards Redevelopment

HYIC backs it debt issuance with a combination of recurring and non-recurring revenues.

HYIC Revenue

To finance the public investment in the 7-train and public realm, HYIC issued $2 billion in bonds in 2007, followed by another $1 billion in 2012.

Bonds issued by the HYIC are backed by revenue generated through new development within the 130-acre Hudson Yards Financing District (HYFD). Revenue includes a combination of recurring and non-recurring sources to address the lag in revenue growth from TIF-like sources, such as PILOTs (Challenge 10):

- **Payments in Lieu of Taxes (PILOT) Payments**: Rather than paying real income tax to the City, developers in HYFD are given abatements and instead, make PILOTs directly to HYIC offering a “substantial discount” from typical property tax rates for up to 19 years. The level of discount was determined by the developer’s site’s proximity to the new train line with up to a 40 percent discount.
- Other **Tax Equivalency Payments (TEPs)** are made by the City to HYIC, in an amount equal to real property taxes received by the City from new and substantially renovated commercial and residential developments in the HYFD that are not covered by a PILOT agreement.
- A smaller component of expected revenue comes from the sale of **density bonuses,** known as “District Improvement Bonuses” in this development, where developers can contribute to HYIC in exchange for additional air rights. The maximum air rights is determined on a site level.

Far West Side and Hudson Yards Redevelopment

The project made an innovative use of a backstop from the City to further support HYIC's debt issuance.

City Backstop

Given the expected lag between infrastructure construction and tax/fee revenue to be generated by commercial development, the City agreed to make **Interest Support Payments (ISPs)** should HYIC's revenue fall short. Such "moral obligation" provided assurance to bondholders and signaled commitment to private developers and enhanced the marketability of the bonds.

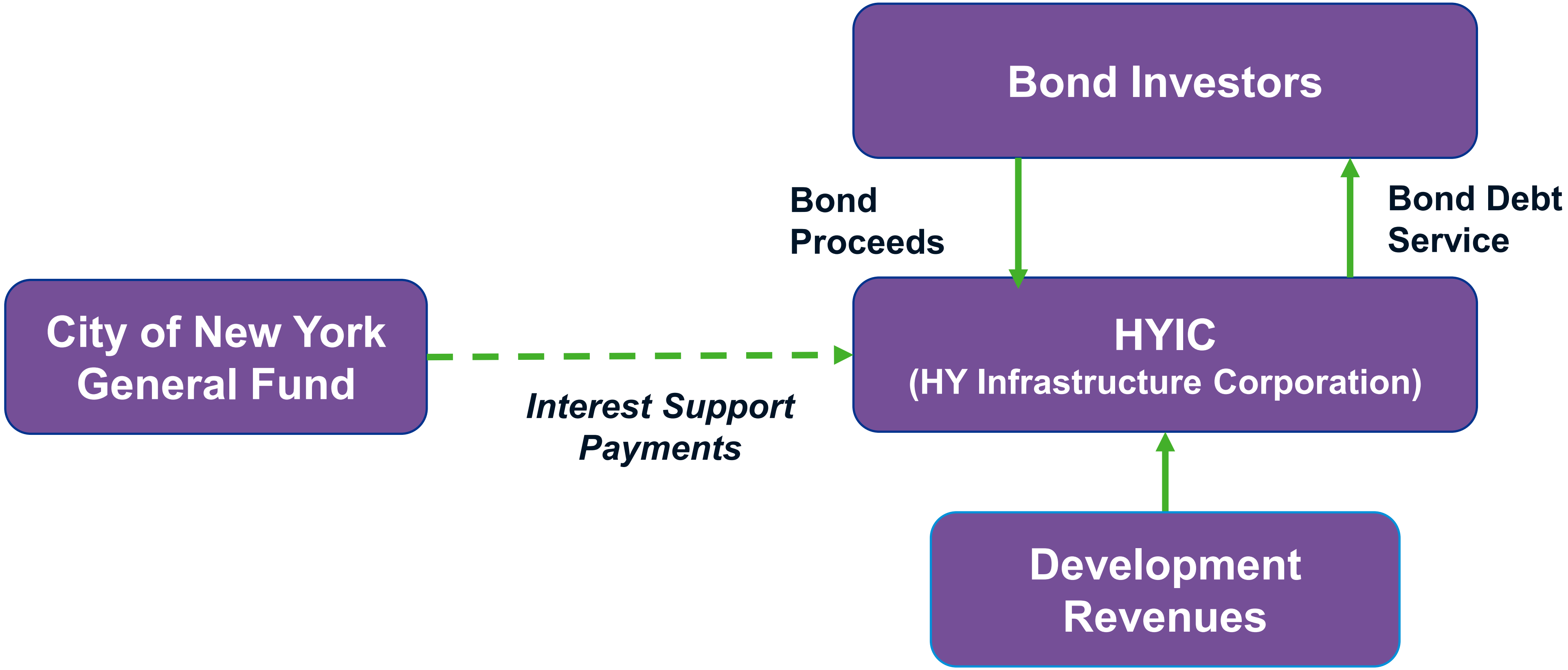
The City ended up contributing $360 million to cover interest payments from 2007 to 2017, greatly exceeding the estimated contribution required. In an initial feasibility study, Cushman and Wakefield projected City contributions to range from $7.4 to $205 million.

The additional expenses demonstrate the **market risk of PILOT and other TIF-like revenue sources**. Since property taxes depend on value appreciation from successful development, the Great Recession in 2008 caused unanticipated delays to private development as well as the 7-train extension.

As development projects in Hudson Yards have become operational and market conditions have stabilized over the past few years, **PILOTs are now beginning to provide a steady, recurring revenue base** for HYIC's debt obligations.

In 2017, HYIC issued $2.1 billion in additional debt to refinance the full $2 billion of 2007 bonds and part of the 2012 issuance at a lower rate, reducing interest obligations and pushing out principal repayment requirements. In 2021, Bloomberg reported that the City estimates around $27 billion in revenue from fiscal year 2021 to 2047.

Far West Side and Hudson Yards Redevelopment
HYIC Debt Repayment Structure



Far West Side and Hudson Yards Redevelopment

The MTA supported the private development of the West Side Rail Yard by offering private developers a ground lease of the site. Using the leases as security, the MTA was able to issue debt.

<u>Monetization of Hudson Yards Ground Leases</u>

In a separate transaction for development of the West Side Rail Yard, a site within the district owned by the MTA, Related Companies and Oxford Properties Group formed a joint venture as private developers on the project. In April 2013, **the joint venture executed a ground lease contract with the MTA, the owner of the site.**

The contract is composed of several 99-year ground leases of different parcels on the West Side Rail Yard (WSRY). The leases on the Eastern portion started at the end of 2012 with a 6-year period of phased out rent abatement, and the leases on the Western side started at the end of 2013 with a 7-year period of phased out abatements as vertical development advanced.

The ground lease payments were structured as triple-net, meaning that Related and Oxford are responsible for all operating and other expenses associated with the constructed improvements.

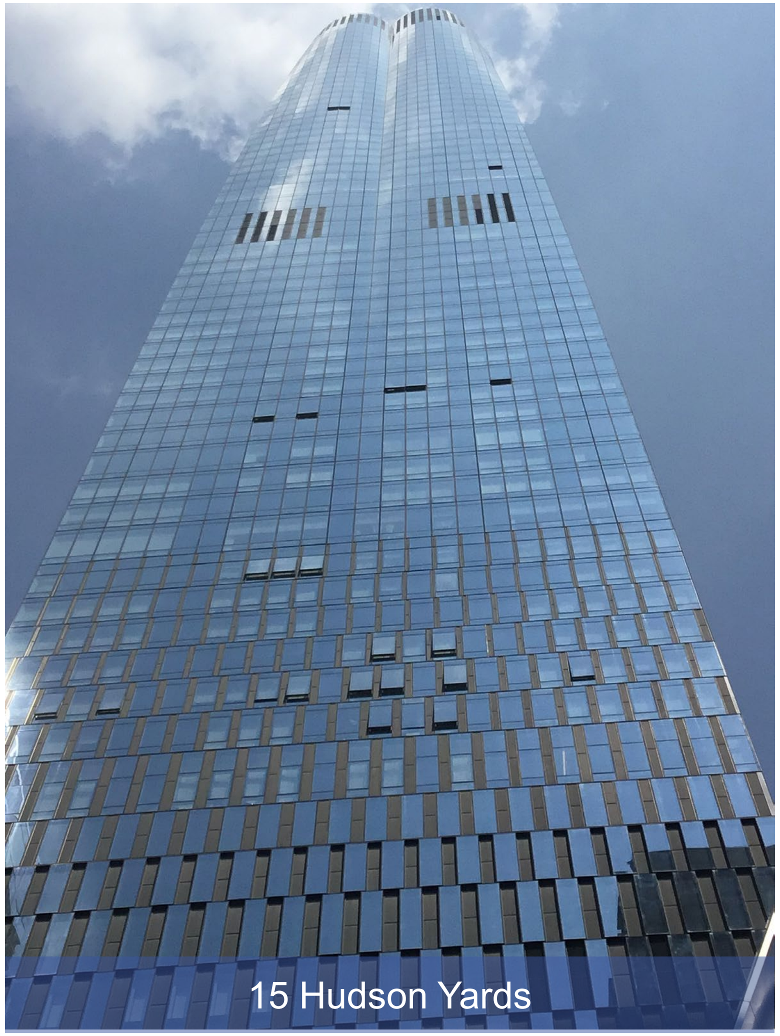
In 2016, for the first time in its history, the **MTA pledged the Hudson Yards leases as security for the Series 2016A Hudson Yards Trust Obligations** that had a face value of approximately $1B, were graded A2 by Moody's, and which proceeds were used for capital program and repayment of outstanding debt.

The stream of cash flows that the MTA expects to collect from the ground leases as of December 2017 totals $2.64B in nominal terms.

Developments on the WSRY now include cultural sites like the Vessel, as well as luxury office and retail space.

Far West Side and Hudson Yards Redevelopment

The private development joint venture included provisions for affordable housing



15 Hudson Yards

Private development included provisions for affordable housing. **As part of the original Hudson Yards deal between the MTA and the Related and Oxford Properties joint venture, 107 units were set aside for affordable housing.**

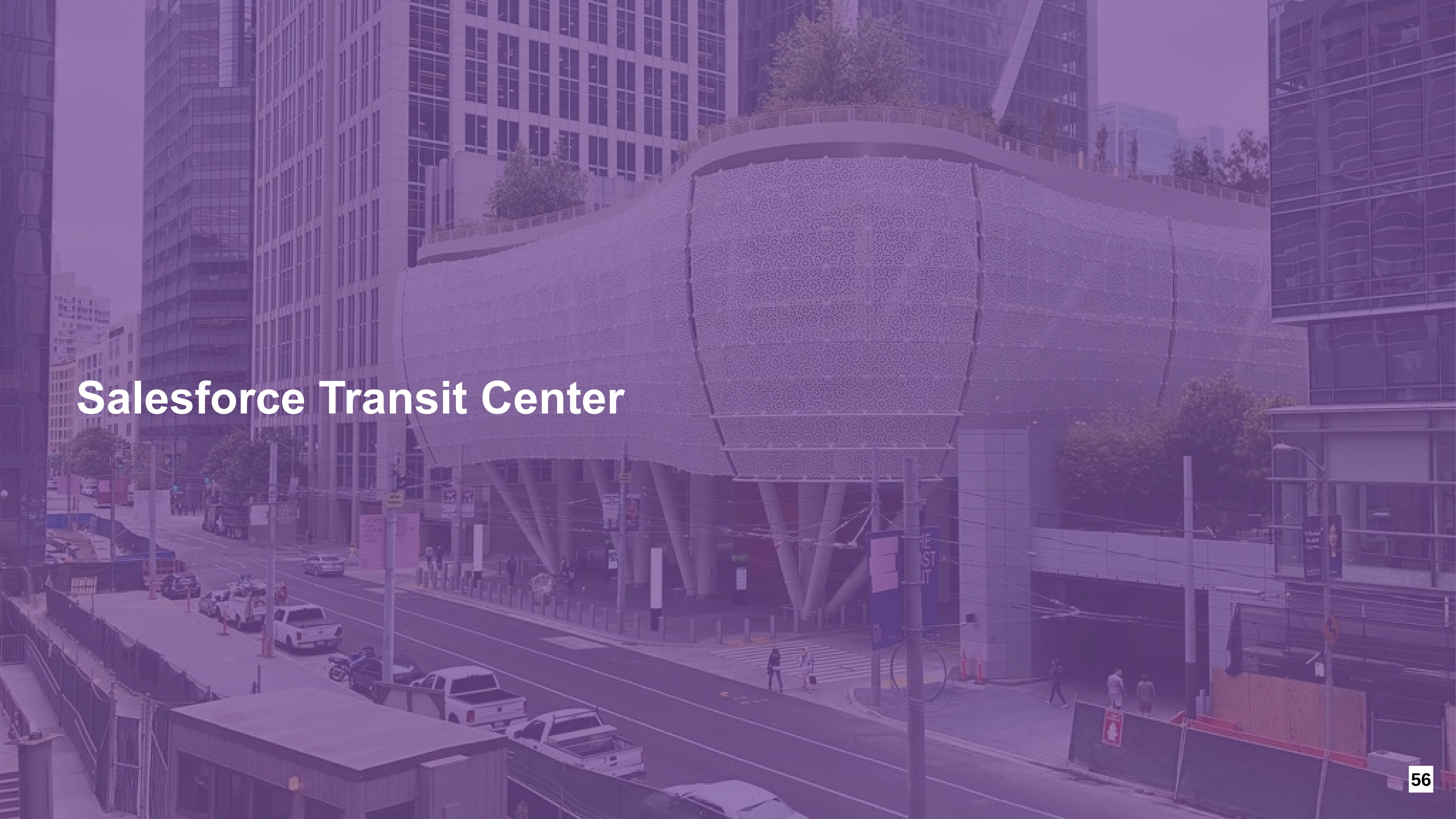
In 2018, 15 Hudson Yards opened its lottery for 107 affordable units catering to 50-60 % average median income (AMI) households.

In addition, the City agreed to allow developers to count affordable units created in the area serve as an in-kind contribution of their Inclusionary Housing Bonus, which is sold in exchange for higher density. This, and other incentives, have led to additional affordable units to open including 235 units in the 3ELEVEN building for households earning between 40 to 100% of AMI and 177 units in the Lyra, with affordability levels ranging from 70 to 130% AMI.

<table>
<tr><th></th><th></th><th>Legal / Regulatory</th><th>Institutional / Governance</th><th>Market / Financial</th><th>Operational</th></tr>
<tr><td rowspan="3">General</td><td>SANDAG lacks land use control and taxing authority</td><td colspan="2">The City formed two special purpose vehicles to operate and manage the project</td><td></td><td></td></tr>
<tr><td>High infrastructure funding and financing needs for large transformative TOD projects (for e.g., Central Mobility Hub, High Speed Rail)</td><td></td><td></td><td>A backstop from the City allowed HYIC to issue a large amount of debt and to cover interest payments in the case of cost overruns</td><td></td></tr>
<tr><td>Taxes should not be so high as to discourage development/property ownership.</td><td></td><td></td><td></td><td>Developers are offered a discount to regular property taxes through PILOT payments.</td></tr>
<tr><td rowspan="2">TIF Districts</td><td>Taxing entities must agree to redirect their property tax increment away from general fund for other purposes to TIF district for its uses and some do not receive a significant enough share to be meaningful without partnering.</td><td colspan="2">PILOTs in the Hudson Yards Financing District are collected by the Industrial Development agency (IDA), then transferred directly to HYIC, avoiding the City’s general fund.</td><td></td><td></td></tr>
<tr><td>Revenue growth takes time and there is lack of bond financing precedent in California.</td><td></td><td></td><td>HYIC combined non-recurring revenue from instruments like impact fees with the TIF revenue to smooth cashflows</td><td></td></tr>
</table>

		Legal / Regulatory	Institutional / Governance	Market / Financial	Operational
Joint Development	Land ownership is held by different public bodies/transit entities, cities, other entities sometimes with competing timing and other objectives.		To develop the transit authority-owned land above a rail yard, the MTA entered a ground lease agreement with private developers		

Salesforce Transit Center



Salesforce Transit Center
Overview

Location	San Francisco, CA
Start Date	The plan for both phases of the redevelopment was approved in 2005
Project Stage	Phase I has been completed and Phase II is in planning phases.
Capital Cost	$2.26 billion for Phase I
Value Capture Instruments Used	Land Sales, TIF, Community Facilities District, Development Rights
Joint Development Agreements	Master Lease Agreement ("MLA") with a private developer for O&M of commercial/non-transit program
Key Stakeholders	City and County of San Francisco, Multi-Jurisdictional Transit Agencies, Private Developers and Asset Managers
Governance	Joint Powers Authority, the Transbay Joint Powers Authority ("the TJPA")
Description of Infrastructure project	The redevelopment of the former San Francisco Transbay Terminal was divided into two phases. Phase I included the demolition of the old terminal and the construction of a transportation hub, bus terminal, rooftop park, and subsequent adjacent private real estate redevelopment, like the Salesforce Tower and three other towers above 700 feet in height. Phase II, in planning is the extension of Caltrain service from its current San Francisco terminus at 4th and King Streets to the Transit Center, and eventual California High Speed Rail service.

Salesforce Transit Center
Relevance for SANDAG

Legal and Regulatory	Institutional and Governance	Market and Financial	Operational
• The formation of a Joint Powers allows the City, County, and transit agencies to jointly exercise common powers, giving the project's governing entity the authority to influence land use and taxation.	• Procurement of a private developer through a master lease agreement ("MLA") allows the TJPA to retain ownership of private assets while delegating certain operational risk to a third-party, addressing of maximizing value through Joint Developments.	• An incentive-based revenue sharing agreement in the MLA motivates the joint venture partner to maximize the economic capacity of the asset, which also helps align partners in maximizing value without needing to be the asset owner.	• The State was able to transfer state-owned parcels to TJPA which allowed TJPA to generate revenue from sales proceeds and value capture tools.

Salesforce Transit Center

The creation of the Transbay Joint Powers Authority ("TJPA") aligned interests and grouped authorities of the multijurisdictional public agencies involved.

<u>Governance</u>

To construct a new transit center on top of the old Transbay Terminal site, stakeholders formed **a new special-purpose joint entity under the 2001 Joint Powers Agreement, named the Transbay Joint Powers Authority (TJPA).** The Joint Exercise of Powers Act codified by California Government Code section 6500 allows two or more public agencies to jointly exercise common powers or form a separate legal entity with its own independent rights. The TJPA is the former, and, most valuably, has the funding and approvals power of the City and the County.

Shareholders from the City, the County, and various transit agencies had representation in the JPA as voting board members. TJPA board members use staff from their respective home agencies to support them in their role as board members.

The TJPA as an agency has its own staff of about twenty individuals that handle the day-to-day advancement of the project.

The TJPA was formed in part to address Challenge 5 where **no individual partner agency had the capacity, resources, and desire to run the entire Transbay project or take on the responsibility of a special-purpose joint entity.** Each partner agency, including the City, the County, and three separate transit agencies, had its own interests, concerns, and jurisdictions that were not all aligned.

TJPA brought together each partner and their relative resources and authority under one roof and provided a devoted vehicle for decision making and dispute resolution through its Board of Directors. The TJPA has met regularly since its inception and continues to meet regularly as Phase II continues in its planning phase.

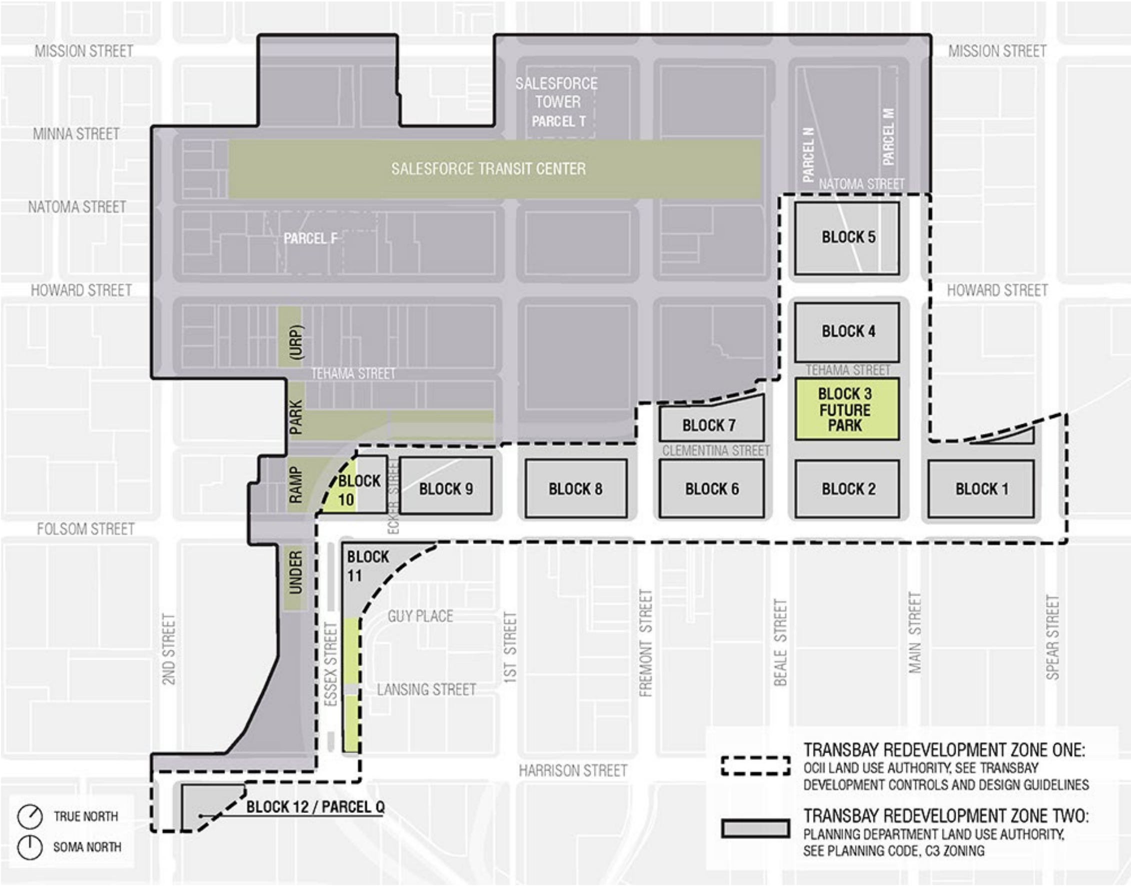
Salesforce Transit Center
The Transbay Redevelopment Project Area

<u>The Transbay Redevelopment Plan</u>

The Transbay Redevelopment Plan ("Transbay Plan") was adopted in June 2005. The Transbay Plan calls for the redevelopment, rehabilitation, and revitalization of the area generally bounded by Mission, Main, Second and Folsom Streets in downtown San Francisco.

Along with TJPA, the Office of Community Investment and Infrastructure (OCII) is a state-authorized local entity serving as the successor to the former San Francisco Redevelopment Agency, is also responsible for executing the plan, as per a 2005 Implementation Agreement.

OCII has authority of Zone One of the Project Area, while the San Francisco Planning Department has control of Zone Two.



Salesforce Transit Center
Housing goals of the Transbay Plan

When fully built out, the Project will deliver new construction in the Project Area as per the numbers below:

Total Housing	3,800 units
Affordable Housing	1,400 units
Parks and Open Space	3.5 acres
Office and Retail Space	800,000 square feet

<u>Affordable Housing</u>

The Project has a goal that 35% of all housing units delivered will be affordable to low- and moderate-income households. These units will be in both market-rate housing developments as well as stand-alone, 100% affordable housing developments by OCII.

A number of developments have already been completed. For example. Transbay Block 9 was developed into 500 Folsom Street, a combined market- and affordable-rate building. It was 100% occupied in August of 2020 and includes 108 affordable units by lottery.


500 Folsom

Salesforce Transit Center

Nearly half of required funding for phase I was financed through value capture tools, including land scales, TIF, and CFD special tax proceeds.

Phase I required $2.26 billion in funding, part of which was generated using the following value capture sources:

Land Sales

In 2004, the state government agreed to transfer to the City and County of San Francisco 12 acres of underutilized state-owned land surrounding the old Transbay Terminal, free of charge. Development would be subject to by-parcel development agreements, with parameters (e.g., building height, land use) defined by the TJPA in partnership with the San Francisco Planning Department during the environmental review process. **Land sales generated $515.6 million in proceeds and were ringfenced for the transit center development.**

TIFIA Loan

In 2010, the TJPA secured a $171 million Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for the finding of the phase I. To repay the loan, with a term of 35 years after substantial project completion, TJPA pledged net tax increment revenues from certain State-owned parcels in the designated “Transbay Redevelopment Project Area” along with passenger facility charges (“PFCs”) received from use of the new Transit Center.

Gap financing provided by San Francisco, secured by TIF and Community Facility District Special Taxes

In 2015, the Metropolitan Transit Commission (MTC) recommended a Phase I budget increase bringing the total cost to $2.26 billion, leaving TJPA with a budget gap. **The City and County of San Francisco plugged the budget gap with $260 million in interim financing.** This indebtedness was an obligation of the City and County’s general fund but was expected to be repaid through TIF and “Mello-Roos” Community Facility District special taxes from the Transbay Redevelopment Project Area. The TJPA fully repaid this debt to San Francisco in May 2020.

Salesforce Transit Center

Proceeds from the Transbay Community Facility District (CFD) have been able to support over $500 million in bond issuance

Terms of the Transbay Transit Center Community Facilities (“Mello-Roos”) District

The Transbay Transit Center CFD was approved by the City of San Francisco in 2014 following the City’s adoption of the Transit Center District Plan in 2012 that set the stage for the development of the area around the Transit Center.

The CFD allows the levy of special taxes, up to $1.4 billion, on properties within the District, approximately 15 acres in Downtown San Francisco around the Transit Center. There is also a provision for properties to be annexed into the CFD if they use density bonuses and are located within the “Future Annexation Area”. The benefit of the Future Annexation Area is the expansion of the special tax base with fewer procedural requirements.

The special tax was low enough that it did not deter development in the District or the Future Annexation Area.

For example, in 2018, 250 Howard (Park Tower) was annexed in due it is use of zoning bonuses.

The proceeds of the CFD are split between the City and the TJPA, pursuant to a Joint Community Facilities Agreement. The Agreement dictates that 82.6% of proceeds from the special tax to TJPA to finance the project, while the remaining 17% go to general streetscape and transportation enhancements in the District, including a portion allocable to the San Francisco Bay Area Rapid Transit (“BART”).

As of December 2022, proceeds from the Transbay CDF have been pledged as securities for **five bond issuances with an aggregate par amount of $593 million.**

Salesforce Transit Center

Joint Venture through a Master Lease Agreement

Master Lease Agreement with Third-Party Asset Manager

After the completion of the Salesforce Transit Center, the TJPA sought a partner to:

1. Fit-out, lease, and manage the retail space;
2. Develop and operate the promotional platform;
3. Manage and produce private and public events; and
4. Operate and maintain facilities and capital improvements.

Through an RFP process, the TJPA contracted a private third-party entity, the Lincoln Property Company, as the asset manager of the Transit Center.

The TPJA and Lincoln Property Company entered into a master lease agreement. Through the agreement, Lincoln Property Company is **responsible for operations and management of the Transit Center's assets, with limited oversight from the TJPA.**

This agreement also allows the TPJA to transfer a share of risk while maintaining ownership of the Center and receiving a share of generated revenues through a pre-negotiated rent from the private party.

Revenue Generation

Lincoln Property company receives a combination of flat management fees, commission, and revenue share as specified in the agreement.

Over 64% of fees, commissions, and revenue sharing are incentive-based, designed to **incentivize Lincoln Property Company to maximize the economic capacity** of the Transit Center, one of the TJPA's goals for the partnership.

Salesforce Transit Center

Joint Venture through a Master Lease Agreement

Ancillary Revenue Generation

In addition to generating revenue off the leasing of the real estate space, the high volume of foot traffic throughout the facility, and the opportunity to coordinate promotional content across the facility, results in **strong advertising sales and naming rights potential.**

As part of the master lease, a private media company is responsible for programing and managing the promotional platform, leveraging the opportunity for additional income (Challenge 4). Responsibilities include developing and managing the content management system, running content on the Transit Center's digital screens, as well as managing the sale of advertising, sponsorship, and naming rights agreements. The promotional platform will also include, potentially as a part of the above items, promotional events.

To incentivize performance, the TJPA and the private partner, Pearl Media, follow the following revenue sharing structure:

Pearl Media is committed to providing the greater of i) $1.25 million or ii) 80% of the prior year's digital advertising net revenue to the TJPA as a **minimum annual guarantee (MAG)**. This guarantee will be backed by a letter of credit, to be drawn on in the case that Pearl misses this target in any given year. Each year, Lincoln will provide a reconciliation of promotional platform revenues to ensure that this MAG was reached. In any case in which the MAG is not reached, Pearl will owe the TJPA the remaining amount.

<table>
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<tr><td rowspan="4">General</td><td>Fragmented municipal governments with competing objectives</td><td colspan="2">The formation of a Joint Powers Authority with board representation from all stakeholders served as a dedicated decision-making vehicle for the project.</td><td></td><td></td></tr>
<tr><td>SANDAG lacks land use control and taxing authority</td><td colspan="2">The Joint Powers Authority includes both the City and the County and allows them to exercise their common powers.</td><td></td><td></td></tr>
<tr><td>High infrastructure funding and financing needs for large transformative TOD projects (for e.g., Central Mobility Hub, High Speed Rail)</td><td></td><td></td><td>Combination of a number of funding sources including debt supported by value capture tools.</td><td></td></tr>
<tr><td>Underleveraged opportunities to monetize non-real estate assets</td><td></td><td colspan="3">Generated ancillary revenue by entering a master lease agreement with private partners specializing in advertising, events, and leasing. Private partners were incentivized to maximize the economic value TJPA’s assets through incentive-based revenue sharing agreements</td></tr>
<tr><td rowspan="2">Mello-Roos CFD</td><td>CFD tax levy requires 2/3rds vote of registered voters of district if 12 or more of landowners, weighted by acreage, if less than 12.</td><td>The approval of a district plan helped set the stage for the approval of the CFD</td><td></td><td></td><td></td></tr>
<tr><td>Taxes should not be so high as to discourage development/property ownership.</td><td></td><td></td><td>The district is in a desirable part of downtown and the special tax levy did not deter development.</td><td></td></tr>
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<tr><td>Revenue growth takes time and there is lack of bond financing precedent in California.</td><td></td><td></td><td>TIF was not used for bond financing but was used to partially repay part an interim financing debt obligation to the City of San Francisco.</td><td></td></tr>
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Metro de Medellin Urban Operator (*Operador Urbano*)

Metro de Medellin Urban Operator
Overview

Location	Medellin, Colombia
Start Date	Metro Medellin was granted the status of Urban Operator (*Operador Urbano*) in 2019, which provided it with special attributions to advance urban regeneration projects for infrastructure development, land use, value capture, and joint development.
Project Stage	Metro de Medellin has used its faculties as Urban Operator in the redevelopment of Parque Berrio, a central historic area in Medellin home to one of the system's most important stations. Moreover, Metro de Medellin is currently using its new attributions on the redevelopment of the "Corredor 80" mass transit corridor, which is in planning stage and will involve the construction of a new metro line, bike lanes, sidewalks, and an overall revitalization of the area.
Capital Cost	The redevelopment of Parque Berrio had a cost of approximately $9.4 million (2022 dollars) As of 2022, Carrera 80 has a projected cost of 3,540 COP billion / $782 million.
Value Capture Instruments Used	Metro de Medellin can implement a variety of VC instruments, including tax increment financing, density bonuses, and special assessments.
Joint Development Agreements	Metro de Medellin can implement JD agreements.
Key Stakeholders	Metro de Medellin, Medellin City Government.
Description of Governance Mechanism	Through an agreement between Metro de Medellin and the Medellin City Government, Metro de Medellin was granted in 2019 the status of "Urban Operator", a new legal figure regulated in the city in 2017. As Urban Operator, Metro de Medellin is a state-owned enterprise with attributions of both a government agency and a private enterprise, including sponsoring real estate development deals, participating in land use decisions around mass transit corridors, and implementing value capture to fund its own capital investments and operations.

Metro de Medellin Urban Operator

Relevance for SANDAG

Legal and Regulatory	Institutional and Governance	Market and Financial	Operational
• Local Decree 893/2017 established and regulated the legal figure of Urban Operator in Medellin • 2019 Inter-administrative agreement between City and Metro de Medellin assigned Metro de Medellin its status as Urban Operator and jurisdiction over "areas of influence" around mass transit corridors, bridging the challenges presented by fragmented jurisdictions.	• As *Operador Urbano,* Metro de Medellin centralizes several functions and powers otherwise spread out across different agencies, including participating in business deals, manage land use decisions, implementing value capture, and receiving revenue from value capture tools, among others	• N/A	• Enterprises Management Division within Metro de Medellin has attributions to sponsor and participate in business deals outside transportation-related operations (Challenge 4).

Metro de Medellin Urban Operator

Legal figure of *Operador Urbano*

Municipalities in Colombia have created institutions that act as "Urban Operators" (*Operadores Urbanos*) with budget and legal autonomy to make land transactions, invest in specific areas defined in their statutes, capture public and private capital for project development, and issue bonds. A prominent case of Urban Operator is Metro de Medellin, which operates and invests on the city's metro and gondola lines, and invests and promotes investments in areas around the stations

The genesis of Metro de Medellin's designation as an Urban Operator in 2019 is directly related to the limited resources it faced to build 16 new mass transit corridors, the need to obtain non-fare related revenues, and its reliance on discretionary federal funding to pursue major projects. Metro de Medellin found that leveraging its own asset to engage real estate development around mass transit corridors and capturing increases in land value around the stations could provide substantial resources in the mid- and long-term to fund its new mass transit corridors. Its designation as *Operador Urbano* was needed for Metro de Medellin to be able to undertake those activities.

Metro de Medellin Urban Operator

Legal figure of *Operador Urbano*

As Urban Operator, Metro de Medellin can capture the increase in land values from the construction of new lines and from the unlocked real estate potential around its stations. As an *Operador Urbano*, Metro de Medellin can jointly lead network improvements, engage in real estate projects, receive contributions from private investors in public-private partnership agreements, and receive revenue from the implementation of value capture instruments. While the main purpose of Metro de Medellin continues to be the management and operation of Medellin’s mass transit system, as an Urban Operator Metro de Medellin can now also manage land use decisions around its corridors, pursue real estate deals and other businesses, and promote the revitalization of areas adjacent to the stations.

As part of its conversion to an Urban Operator, Metro de Medellin underwent a deep institutional and operational re-structuring, including the change of internal processes and statutes, as well as the creation of an Enterprises Management Division (*Gerencia de Desarrollo de Negocios*) with attributions to sponsor and participate in business deals outside strictly transportation-related operations.

Metro de Medellin Urban Operator

As *Operador Urbano*, Metro de Medellin gained four additional functions for overall administration priorly distributed among other stakeholder and three specific roles related to VC and JD implementation.

Metro de Medellin's new functions as *Operador Urbano* include:

- Land and real estate management: Metro de Medellin guides the process of land use regulations around the system stations and corridors;
- Financial management: Metro de Medellin collects, administrates, executes and directs public and private resources towards capital investments, including those coming from VC instruments and real estate deals.
- Management of social issues: Metro de Medellin manages and coordinates policies to benefit residents around transit corridors; and
- Interinstitutional coordination: Metro de Medellin integrates the economic, government, and social stakeholders relevant to its capital investments and real estate developments.

With regards to implementing value capture and joint development, Metro de Medellin also has specific roles and attributions, including:

Participation in Business Deals

- Structuring of real estate deals
- Partnering with real estate developers
- Exchange, bailment, concession, and leasing of properties

Management of Stakeholders and Land Use

- Implementation of land use decisions and value capture instruments
- Administration of revenues from value capture instruments
- Managing relations among community groups, utilities, government agencies and property-owners

Management of Public Resources

- Conduct investments in public infrastructure and social projects
- Manage a land bank

Metro de Medellin Urban Operator

As *Operador Urbano*, Metro de Medellin participates in businesses like a private entity, while administrating taxes and receiving revenues like a government agency.

As a private-like entity, metro can make land and property transactions, participate in business deals, and partner with real estate developers.

As a government entity, Metro de Medellin has direct management over government projects and resources. For .e.g., they are the sponsors of the *Metro de la 80*, a new subway line, and can implement value capture tools and receive the revenue arising from them.

Metro de Medellin Revenues

From participation in Business Deals	From government interventions
Metro de Medellin acts like a private company	*Metro de Medellin acts like a government entity*

Private resources:

- Real estate deals
- Land and property transactions
- Advertising
- Donations
- Fees from administering assets
- Bonuses from good performance in service provisions

Public resources:

- Land value capture proceeds (for e.g., revenues from tax increment financing or improvement district assessments)
- User fees
- Proceeds from public financing instruments
- Transfers from local and national government

Metro de Medellin Urban Operator

Implementation of Parque Berrío Project

The City of Medellin is pursuing the revitalization of Parque Berrío, an area located in the city's historic center. This Project involves:

- Renovating the Parque Berrío Metro station
- Intervening public spaces in Plaza Botero, the main public park in the area
- Renovation of building facades and the city's historic heritage.
- Building public art installations

As Urban Operator, Metro de Medellin is guiding this redevelopment project, particularly by:

- <u>Land and real estate management</u>: the City of Medellin delegated in Metro de Medellin the administration of public spaces in the area, as well as the creation of partnership with concessionaries in order to reactivate and revitalize these spaces.
- <u>Financial management</u>: Metro de Medellin is leading the formation of a Business Improvement District (*Áreas para Revitalización Económica*). The BID will involve a system of voluntary contributions from landowners to fund the project, mostly provided by large institutions and commercial developments in the area. Revenue from these contributions will go to Metro de Medellin for its use in the revitalization of the Parque Berrío area.
- <u>Interinstitutional coordination</u>: Metro de Medellin leads an alliance of institutional, government, and market stakeholders in the Parque Berrío Area in order to formulate planning strategies and the management of public spaces in the Parque Berrío area.

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<tr><td>Uneven project delivery capacity across jurisdictions</td><td></td><td></td><td></td><td>Metro de Medellin centralizes functions like value capture implementation that were otherwise spread between agencies</td></tr>
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<tr><td rowspan="2">Joint Development</td><td>Lack of robust and consistent joint development/transit-oriented development policies across cities and agencies throughout region.</td><td rowspan="2"></td><td rowspan="2">Metro de Medellin has the authority across the multiple jurisdictions where it operates to execute real estate transactions and private partnerships, unifying policies.</td><td rowspan="2"></td><td rowspan="2"></td></tr>
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Approved Enhanced Infrastructure Financing Districts

San Diego (Otay Mesa)

La Verne (Transit-Priority Project)

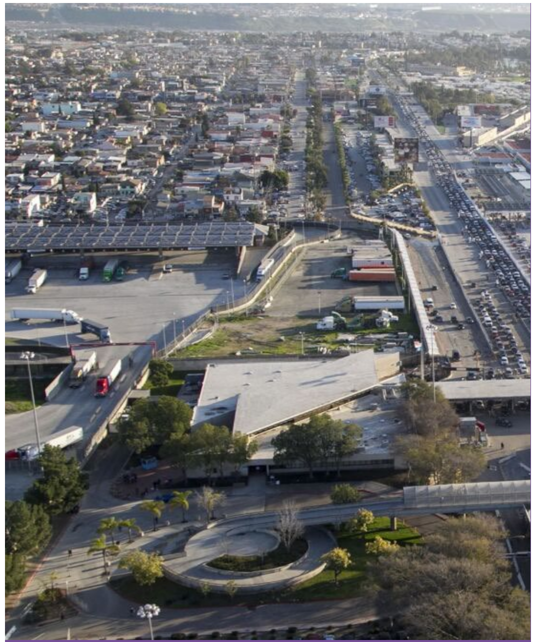
West Sacramento

Los Angeles County EIFD Participation Policy

Approved EIFDs

Overview

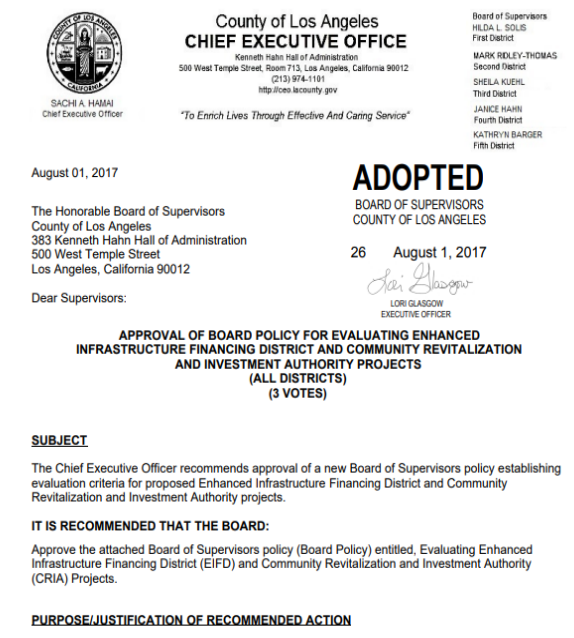
Since the regulation of Enhanced Infrastructure Financing Districts in 2014, only three districts have been approved in the State of California, and only one county has regulated its participation. This subsection provides an overview of the characteristics and regulations concerning their operations, sources and destination of revenues, as well as amount of funds obtained to date.



San Diego - Otay Mesa - EIFD

La Verne - EIFD

West Sacramento - EIFD



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SACHI A. HAMAI
Chief Executive Officer

"To Enrich Lives Through Effective And Caring Service"

Board of Supervisors
HILDA L. SOLIS
First District
MARK RIDLEY-THOMAS
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SHEILA KUEHL
Third District
JANICE HAHN
Fourth District
KATHRYN BARGER
Fifth District

August 01, 2017

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

26 August 1, 2017

Lori Glasgow
LORI GLASGOW
EXECUTIVE OFFICER

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

APPROVAL OF BOARD POLICY FOR EVALUATING ENHANCED INFRASTRUCTURE FINANCING DISTRICT AND COMMUNITY REVITALIZATION AND INVESTMENT AUTHORITY PROJECTS
(ALL DISTRICTS)
(3 VOTES)

SUBJECT

The Chief Executive Officer recommends approval of a new Board of Supervisors policy establishing evaluation criteria for proposed Enhanced Infrastructure Financing District and Community Revitalization and Investment Authority projects.

IT IS RECOMMENDED THAT THE BOARD:

Approve the attached Board of Supervisors policy (Board Policy) entitled, Evaluating Enhanced Infrastructure Financing District (EIFD) and Community Revitalization and Investment Authority (CRIA) Projects.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Los Angeles County EIFD Participation Policy

San Diego – Otay Mesa

Category		Characteristics
Date of formation		July 2017
Operations		The Public Financing Authority (PFI) has no staff and therefore relies on the City to provide for its operational staffing needs. This is accomplished via a Memorandum of Understanding between the PFI and the City outlining how the City provides operational staff services to the PFI, and how the PFI reimburses the City for those services. The board has five members, all of which are appointed by City Council.
Origin of Tax Increment revenue	Type of tax	Property tax in-lieu of vehicle license fee increment, otherwise allocable to the City.
	Who contributes?	No taxing entity other than the City will allocate tax increment revenues to the EIFD.
	Maximum contribution (%)	The maximum portion of the City's property tax increment revenue allocation to be committed to the EIFD will be 50% through June 30, 2022, and 100% throughout the remaining duration of the EIFD.
	Revenue collected ($)	$2.7 million (cumulated till FY 2021)
Use of Tax Increment revenue	Regulations on destination of funding	As sufficient EIFD proceeds are collected by County of San Diego and deposited at the City, staff pursues the necessary actions to appropriate the funds to the designated project part of the local capital improvement program CIP.
	Current use of funds	Funds are allocated to La Media Road project ($1.1 million). This improvement is part of an integrated transportation network that will provide mobility and accessibility to the residents and businesses of the community. It is also part of the designated Truck Route for the Otay Mesa Port of Entry, and once completed will accommodate future development and commercial traffic.
	Has the EIFD issued debt?	No, but in August 2022 the Board approved the first issuance of bonds by the district for $57 million. The issuance of bonds is imminent.

La Verne

Category		Characteristics
Date of formation		2017
Operations		There is no publicly available information on the internal operations of the PFI, but all staff mentioned across external documents belongs to the City of La Verne government. The board has five members, two from the County of Los Angeles and three from the City of La Verne.
Origin of Tax Increment revenue	Type of tax	Property tax in-lieu of vehicle license fee increment, otherwise allocable to the City
	Who contributes?	City of La Verne and Los Angeles County allocate tax increment revenues to the EIFD.
	Maximum contribution (%)	The maximum portions of the City's property tax increment revenue allocation to be committed to the EIFD will be 100% throughout the duration of the District, and 50% for the County of Los Angeles.
	Revenue collected ($)	$155,000
Use of Tax Increment revenue	Regulations on destination of funding	EIFD will be used to pay for the cost of installing various public improvements in the City's Old Town Area in advance of opening Metro's Foothill Gold Line station at an estimated cost of $33 million.
	Current use of funds	The Authority has entered into a reimbursement agreement with the City in order to fund street improvements on E and 2nd Streets. The City is responsible for these costs initially, with the Authority being responsible to repay those expenses once the fund balance can support the repayment.
	Has the EIFD issued debt?	No. However, in order to fund works in E and 2nd Streets, the City is issuing bonds to pay for this work with the EIFD reimbursing the City once it had a sustained revenue stream.

West Sacramento

Category		Characteristics
Date of formation		June 2017 (oldest EIFD in the state)
Operations		There is no publicly available information on the internal operations of the PFI, but all staff mentioned across external documents belongs to the West Sacramento government.
Origin of Tax Increment revenue	Tax EIFD receives	Portion of existing Redevelopment Property Tax Trust Fund (RPTTF) revenues and, potentially, incremental property tax in-lieu of motor vehicle license fee (VLF). The City does not intend to deposit property tax in-lieu of motor VLF revenues into the EIFD but retains the right to do so over the term of the EIFD.
	Who contributes?	The City of West Sacramento is the only taxing entity in the EIFD.
	Maximum contribution (%)	100% of the City's share of incremental property tax increment generated by properties within the EIFD.
	Revenue collected ($)	$7.0 million (cumulated till FY 2021)
Use of Tax Increment revenue	Regulations on destination of funding	The EIFD covers approximately 25% of the entire City with a diverse set of land uses. Expenditure of the EIFD revenues will provide community-wide benefits, including housing, economic development, mobility, and parks and recreation.
	Current use of funds	Detailed information on current uses is not available. The City's 2021-2023 Operations & Maintenance Budget recommends use of EIFD revenue for a new neighborhood park and street improvements along the riverfront, but there is no further confirmation of how funds are being effectively used.
	Has the EIFD issued debt?	At this time, the City does not intend to secure voter approval for the issuance of bond debt. The City intends to fund improvements on a "pay-go" basis or to use non-bond debt instruments.

Los Angeles County EIFD Participation Policy

Key characteristics

In 2017, the County of Los Angeles Board of Supervisors approved a policy for evaluating the County's potential participation in proposed EIFDs from city governments, including the following minimum requirements:

- The City's share of the general property tax must equal at least 15% for every dollar captured in the EIFD Project Area.
- The City's contribution of property tax must be at least equal to the contribution from the County and its special districts.
- The County must not contribute 100 percent of its property tax increment
- There must be a positive impact to the County General Fund from the EIFD, demonstrated through a fiscal analysis conducted by the County Chief Executive Office.
- In addition to supporting economic development, the proposed EIFD Project must align with established Board priorities in one or more of the following areas: 1) affordable housing; 2) homeless prevention; 3) workforce development; or 4) sustainability
- Any rental housing proposed for the EIFD must allocate a minimum of 20 percent of all units for affordable housing. In certain circumstances, this requirement may be satisfied through payment of an in-lieu fee, or through provision of an equivalent number of affordable housing units at a separate location in proximity to the economic development site.
- The EIFD must be consistent with State EIFD law.

The County has since participated in EIFDs like that with the City of La Verne.

	Challenge	Legal / Regulatory	Institutional / Governance	Market / Financial	Operational
Challenges Affecting all VC Instruments	Fragmented municipal governments with competing objectives	EIFDs must be governed by a newly created entity named Public Financing Authority (PFI).			
	SANDAG lacks land use control and taxing authority	Taxing authorities within the EIFDs must agree to participate in the PFIs and contribute to the EIFD.			
	High infrastructure funding and financing needs for large transformative TOD projects			Revenues obtained thus far by approved EIFDs are quite limited in magnitude.	
	Uneven project delivery capacity across jurisdictions				Public Financing Authority can operate across multiple jurisdictions, but relies on the staffing capacities of jurisdictions involved
Challenges Affecting EIFDs specifically	Taxing entities must agree to redirect their property tax increment away from general fund for other purposes to TIF district for its uses and some do not receive a significant enough share to be meaningful without partnering.	LA County established a policy where the City's contribution must be at least equal to the County's and other special districts'.			
	Revenue growth takes time and there is lack of bond financing precedent in California.			The Otay Mesa EIFD has received board approval to issue bonds.	

APPENDIX 1 - EXISTING TAXING MECHANISMS IN SANDAG REGION

Existing Taxing Mechanisms
Documentary Transfer Tax & Parcel Tax

Documentary Transfer Tax

Overview

When the ownership of a property changes hands, the ownership transfer document needs to be recorded in the County Recorder's office where the property is located. The County Recorder, under the Revenue and Taxation Code, collects a "transfer fee" on behalf of the State Board of Equalization. This fee is the Documentary Transfer Tax and is part of the revenue that is generated for the individual counties and cities. The tax is traditionally paid by the seller. Changes to the documentary transfer tax rate require a simple majority voter approval.

Calculation

$1.10 per $1,000 (or $0.55 per $500.00 to be exact per the Code) of the transfer value (sales price) of the property to be transferred.[1]

Key Precedents

Los Angeles Measure ULA (2022); San Francisco Proposition I (2020)

Relevance to VC

The "Homelessness and Housing Solutions Tax" recently approved in Los Angeles will impose a new and additional transfer tax on real estate valued at more than $5 million to fund affordable housing initiatives. This tax can provide additional funding for affordable housing and other purposes without imposing additional taxes on new property owners and developers, on whom additional LVC taxes may be imposed. Mechanisms such as this can support new development while not imposing additional burden on developers and disincentivizing housing supply.

Parcel Tax

Overview

The parcel tax is a tax on parcels of real property collected as part of a property tax bill. Unlike the property tax, the parcel tax cannot be based on property value. Typically, it is a flat tax that does not vary with the size or characteristics of a parcel. To impose a parcel tax, governments must win support from two-thirds of voters.[2] However, if a parcel tax is put on the ballot by a citizen's initiative, it can be passed with only a simple majority.[3]

Calculation

In San Diego, parcel tax reflects a type of property tax that is based on units of property rather than assessed value—of up to $1,400 per parcel for the first 10 years, and up to $500 per parcel thereafter, to provide road maintenance services.

Key Precedents

San Diego Permanent Road Division Zone No. 117 (2017)

Relevance to VC

Parcel tax predominately reflects a flat rate and can not be reformed to be levied on land value (as property tax already does this). However, there is potential for it to be based on size. This would enable it to be a more useful long-term revenue option to local governments.

Sources:
1. CA Rev & Tax Code § 11911
2. Public Policy Institute of California
3. City and County of San Francisco *v. All Persons Interested in the Matter of Proposition G (2021) court decision*

Existing Taxing Mechanisms
Vacant Property Tax & Commercial Linkage Fee

Vacant Property Tax

Overview

There is currently no Vacant Property Tax (VPT) in the City of San Diego. However, a recently passed VPT in San Francisco is a helpful for reference for what its implementation could look like.
Residential properties: a vacant property tax, commencing January 2024 and start applying to owners of buildings with three or more units vacant for more than 182 days per year.
Commercial properties: the Commercial Vacancy Tax rate is a tax on certain commercial spaces that are vacant for more than 182 days.
Enactment of a VPT requires simple majority voter approval.

Calculation

Residential: between $2,500 and $5,000 per empty unit for the first two years of vacancy, with up to $10,000 for any at three or more years.[1]
Commercial: calculated based on a building's frontage, to the nearest foot. $250-$1,000 per foot of frontage (based on vacant years)[2]

Key Precedents

San Francisco Proposition M (2022), Proposition D (2020); Oakland Measure W (2018)

Relevance to VC

Precedent suggests that this tax mechanism has the capacity to produce over $20M of revenue annually in San Francisco. It is unclear how developers would incorporate a potential tax like this into their feasibility analyses.

Commercial Linkage Fee

Overview

In the City of San Diego, new non-residential developments in the categories of office, retail, research and development, and hotel development are required to pay a fair share of the costs of subsidy necessary to house the low- and very low-income employees who will occupy the jobs new to the region that are related to such development, in the form of a commercial linkage fee. A nexus study which demonstrates the link between new commercial development and the need for additional affordable housing is required to adopt a commercial linkage fee.[3]

Calculation

The fee charged per square foot and building type is specified in the City of San Diego Municipal Code. Linkage fees vary based on the type of property and range from $0.80 per square foot (PSF) for R&D facilities to $2.12 PSF for new office space.[4]

Key Precedents

San Diego Housing Impact Fee; Los Angeles Affordable Housing Linkage Fee

Relevance to VC

The commercial linkage fee, also known as the Housing Impact Fee is charged to commercial developments to help finance affordable housing for low-income workers whose jobs were created by commercial, industrial or retail development. Additionally, need to consider the potential of "over-taxing" developers to the point of disincentivizing development.

Sources:
1. San Francisco Proposition M (2022)
2. San Francisco Proposition D (2020).
3. San Diego Municipal Code Chapter 9, Article 8, Division 6
4. San Diego Municipal Code Chapter 9, Article 8, Division 6; Appendix A

Existing Taxing Mechanisms
Business License Tax & Corporate Real Estate Investor Tax

Business License Tax

Overview

The City of San Diego Municipal Code Section 31.0121 states that no person shall engage in any business, trade calling, or occupation until a certificate of payment of a Business License Tax is obtained. Self-employed persons and independent contractors are also required to pay the Business Tax.[1] Changes to the business license tax rate require a simple majority voter approval. This tax can change depending on each City.

Calculation

- $34.00 for a business with 12 employees or fewer.
- $125.00 plus $5.00 per employee for a business with 13 employees or more.

Key Precedents

Berkeley Measure U1 (2016)

Relevance to VC

Relevance to VC appears unclear. Berkeley, CA saw an amendment to the City's business license tax ordinance, which increased the gross receipts tax on owners of five or more residential rental units from 1.081% to 2.880%. This amendment is estimated to raise approximately $3.9M annually, increasing with rents. However, should a tax like this cause rents to increase to a level that is perceived as above market, it would negatively impact demand.

Corporate Real Estate Investor Tax

Overview

California Assembly member Chris Ward recently introduced the California Housing Speculation Act. It would impose a 25% state tax on an investor's net capital gains from the property's time of purchase until final sale or exchange. The tax could create an estimated revenue of $4.02 billion. That money would be put back into the community, benefiting infrastructure, schools and affordable housing, according to the bill.[2]

Calculation

25% tax on an investor's net capital gains from the property's time of purchase until final sale or exchange.

Key Precedents

San Diego Housing Impact Fee; Los Angeles Affordable Housing Linkage Fee

Relevance to VC

The potential revenue that a tax like this could provide is substantial and therefore makes its relevant for VC. However, the introduction of such a tax could disincentive development. The mechanism is not yet in motion.

Sources:
1. San Diego Office of the City Treasurer
2. NBC San Diego

Existing Taxing Mechanisms
Precedents of implementation

Name	City/County/State	Relevant Taxation Mechanism	Key Takeaways
Measure ULA (2022)	Los Angeles	Documentary Transfer Tax	Taxes transfers of residential and commercial property valued in excess of $5M to fund affordable housing initiatives. Properties valued at $5M - $10M are taxed at 4%, and properties valued in excess of $10M are taxed at 5.5%. Expected to raise $600M - $1.2B annually.
Proposition I (2020)	San Francisco	Documentary Transfer Tax	Increased the transfer tax rate on real estate sales and leases of 35 years or more for transactions of $10M and higher. The tax increase is expected to generate $196M annually.
Permanent Road Division Zone No. 117 Measure A (2017)	City of San Diego	Parcel Tax	This measure – the most recent parcel tax measure to be enacted in San Diego – levies a parcel tax of $1400 per parcel for the first 10 years, and up to $500 per parcel thereafter, on parcels located within the Permanent Road Division Zone No. 117 boundaries in order to provide road maintenance services for the zone.
Proposition M (2022)	San Francisco	Vacant Property Tax	Taxes property owners of three or more residential units if any unit is left vacant for more than 182 days in a year. Tax rate is $2500-$5000 per vacant unit starting in 2024 with adjustments for inflation in future years. The tax is expected to generate $20M - $37M annually until 2053 with funds going towards rent subsidies and affordable housing.

Existing Taxing Mechanisms
Precedents of implementation (cont.)

Name	City/County/State	Relevant Taxation Mechanism	Key Takeaways
Proposition D (2020)	San Francisco	Vacant Property Tax	Taxes retail property owners who keep commercial space vacant for more than 182 days at rates between $250 - $1000 per linear foot of frontage. The tax is expected to generate up to $5M annually.
Measure W (2018)	Oakland	Vacant Property Tax	Taxes properties that are deemed to be vacant (in use for less than 50 days per year) at annual rates of $3000 - $6000 depending on property type. The tax is expected to generate $10M annually for 20 years to fund resources to address homelessness and illegal dumping.
Housing Impact Fee	City of San Diego	Commercial Linkage Fee	The City of San Diego established a housing impact fee in 1990. As of 2019, the fee has raised over $65M, with funds supporting the construction of over 5000 affordable housing units. Linkage fees range from $0.80 per square foot (PSF) for R&D facilities to $2.12 PSF for new office space.
Affordable Housing Linkage Fee	Los Angeles	Commercial Linkage Fee	Los Angeles implemented linkage fees in 2017. Fees range from $3.11 to $18.69 PSF, depending on property type and market area. The linkage fee program is expected to generate $104.4M annually with funds used to finance the construction/preservation of ~1,700 affordable housing units per year.
Measure U1 (2016)	Berkeley	Business License Tax	Permanently increases the business license tax from gross receipts on owners of five or more residential units from 1.081% to 2.880%. The tax increase is expected to raise $2.98M - $3.45M annually with funds going towards affordable housing initiatives.

Task 2 Deliverable: Case Study & Statutory Authority Review of Value Capture and Joint Development Implementation

SANDAG Regional Value Capture Assessment Study

SANDAG HR&A

February 2023

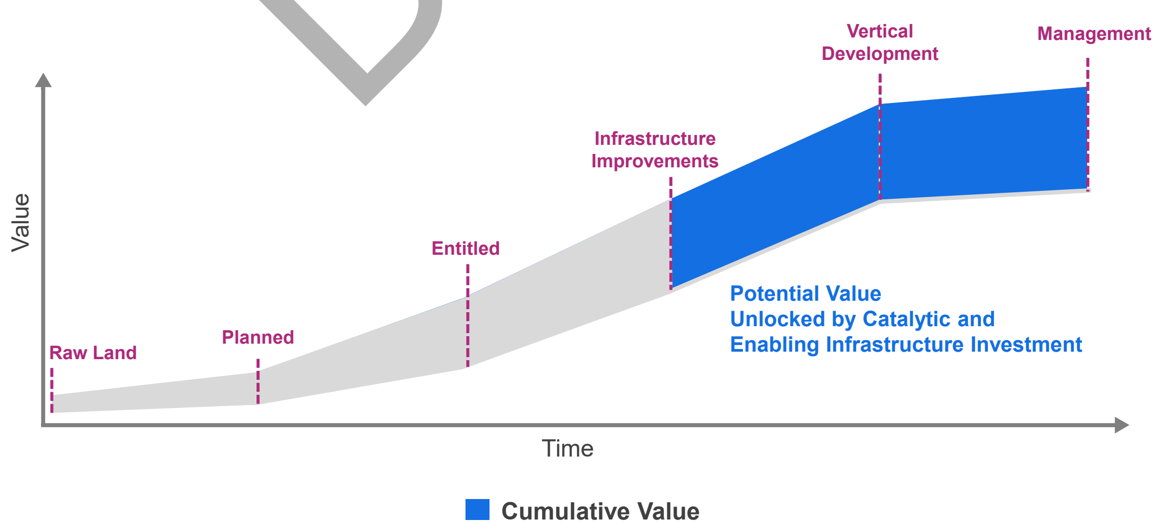
SANDAG

Value Capture in the San Diego Region

Social Equity Working Group | Item 5
Tim Garrett, Regional Planner II
June 22, 2023

1

Value Capture Background
Land Value Creation in the Development Process



Source: HR&A Advisors, Inc.

2

Joint Development and Local Goals

- Market-rate and affordable housing
- Economic activity
- Increased transit ridership
- Reduced vehicle miles traveled and greenhouse gas emissions
- Revenue generation

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Study Objectives

Evaluate value capture instruments and joint development opportunities

Advance regional housing goals

Raise sustainable revenue to implement Regional Plan

Develop policy recommendations

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Value Capture Instruments Reviewed

Instruments	Key Stakeholders	Applications
Community Facilities District (CFD)	Public entity, voters	New development, cannot be based on value
Special Assessment District (SAD)	Public entity, district property owners	Special benefits
Impact Fees	City, developers	New developments, based on impact
Tax Increment Financing (TIF)	City, County	Communitywide improvements
Joint Development (JD) and Air Rights	Agency, city, developers	Mixed-use, affordable housing

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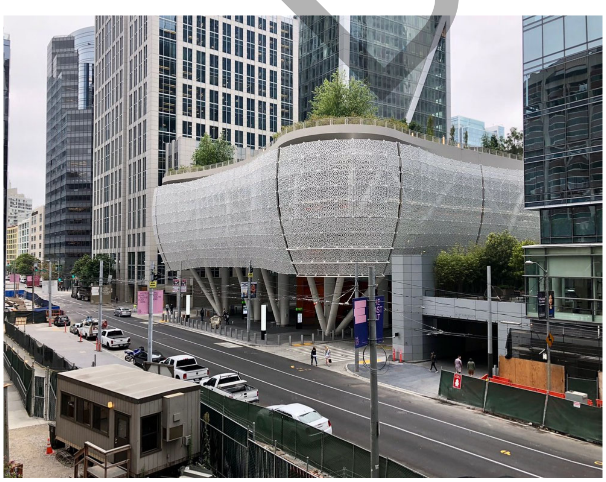
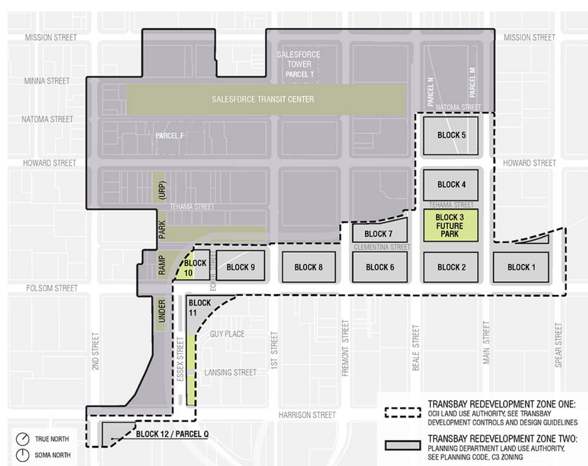
Salesforce Transit Center





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Considerations for Investing Revenues in Communities

- Magnitude of revenue generated
- Ability to acquire or issue debt
- Policy direction from the city and/or county implementing value capture

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Value Capture Screening

General Value Capture Potential

Eligibility Threshold

Is the area eligible for Value Capture?

Suitability Score

What is the suitability of implementing Value Capture in the area?

Value Capture Instrument Potential

Eligibility Threshold

What Value Capture instruments are eligible for implementation?

Suitability Score

How suitable or effective is each eligible instrument to generate infrastructure funding?

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Joint Development Screening

Eligibility Threshold

Is the site eligible for Joint Development?
- Excess property
- Physical development constraints

Suitability Score

Will Joint Development generate meaningful revenues?
- Real estate market viability
- Development viability
- Ease of implementation

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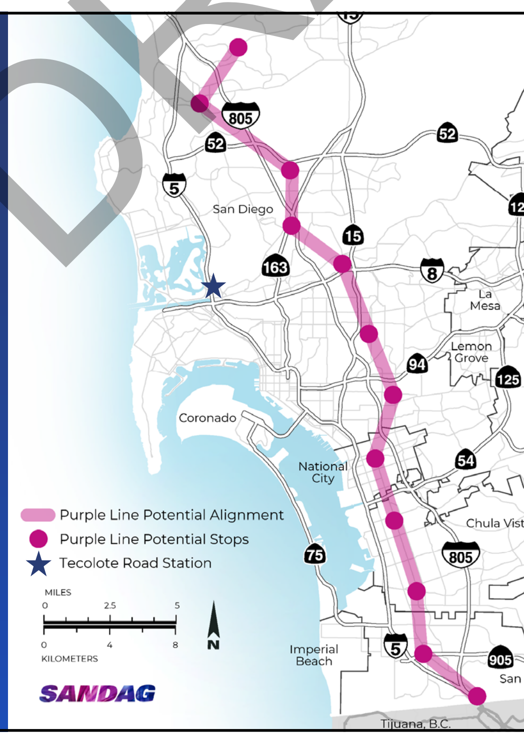
High-Level Assessments: Value Capture and Joint Development



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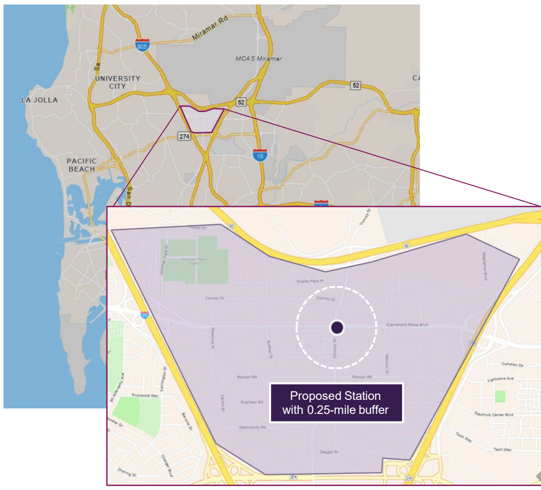
Potential Kearny Mesa EIFD: Methodology



Step 1. DEFINE
Study Areas and Project Program

Step 2. STUDY
Socioeconomic and Real Estate Market Trends

Step 3. DETERMINE
Market-Supportable Development

Step 4. PROJECT
Incremental Property Tax Revenue and EIFD Contributions

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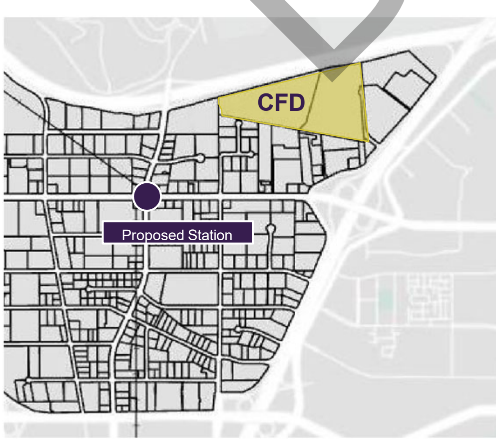
Potential Kearny Mesa CFD: Assumptions



Assumed Program	Value
Residential	2,300 Units (54% of Area Demand)
Non-Residential	0.5 Million SF (5% of Area Demand)

Use	Typology	Breakdown of Development by Use	Avg. Base Scenario CFD Assessment
Residential	Rental	90%	$1.05
	Sale	10%	
Non-Residential	Retail	70%	$3.68
	Industrial	30%	

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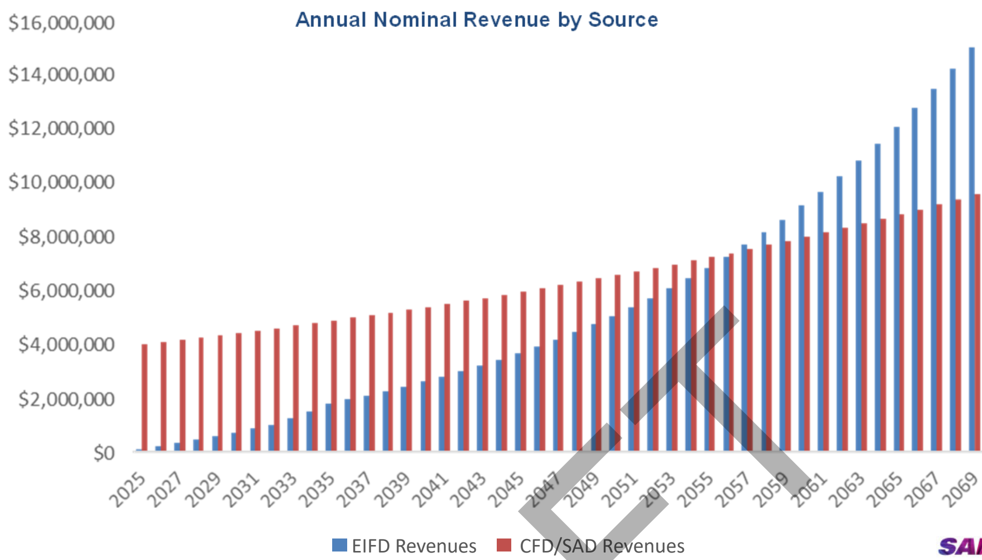
Potential Kearny Mesa CFD and EIFD Revenues



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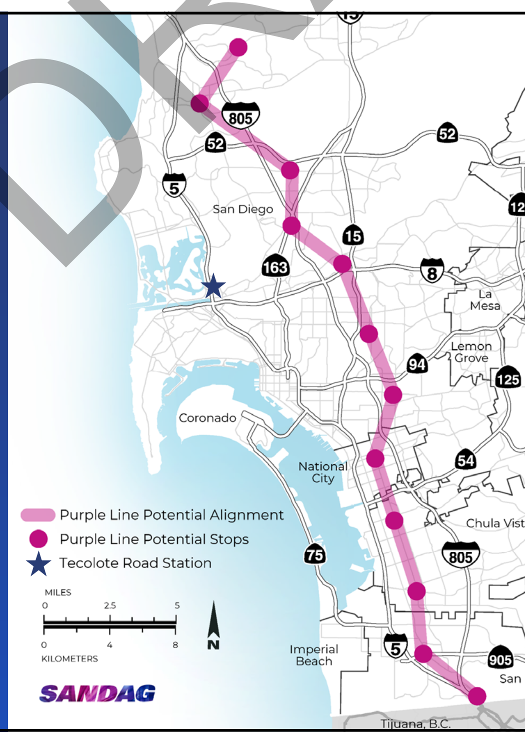
Next Steps



Joint Development Assessment

Sustainable Communities Working Group June 29

Implementation Strategy

- Stakeholder coordination
- Legislative needs
- Policy/ordinance templates

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