California Association for Local Economic Development

TIF COMMITTEE FAQs

Why am I hearing so much about EIFDs and CRIAs lately?

Enhanced Infrastructure Financing Districts (EIFDs) and Community Revitalization and Investment Authorities (CRIAs) provide local governments a way to finance certain projects with tax increment. They authorize the broadest uses of tax increment allowed in California since Redevelopment, and are therefore generating a lot of interest as replacement tools.

How is this tax increment different from redevelopment tax increment?

In general, like redevelopment, a base year is established and increases in revenues above base year levels are tax increment. Projects can be funded through a loan or bonds secured by tax increment, or on a cash basis.

Unlike redevelopment, school districts or educational entities may not contribute their property tax share to an EIFD or a CRIA. On average, schools are collectively allocated about half of the property tax share, which reduces the maximum possible contribution of tax increment to the remaining general levy.

All non-school taxing agencies must choose whether or not to participate in the EIFDs / CRIAs. If participating, each agency can choose to allocate all or just a portion of its revenue. The greater the number of participants, the greater the funding that becomes available. Planning projects that benefit more than one taxing agency may help garner support and increase funds through the EIFD or CRIA.

How does the funding work in an area that was a redevelopment project area?

In short, all Recognized Obligation Payment Schedule (ROPS) debts of a Successor Agency are senior to an EIFD or CRIA. This means that while an EIFD or CRIA could be formed where redevelopment project areas exist, available revenue may be limited while old redevelopment debts are paid. This would be especially important to understand if the EIFD/CRIA intended to fund projects with bonds, where extensive due diligence must be performed to show adequate revenues.

What can I do with the money?

Generally, in an EIFD, you may purchase, improve, develop, rehabilitate, etc. public capital facilities or projects of “communitywide significance” which include:

- Roads, transit facilities, parking facilities
- Sewer treatment/water reclamation

- Flood control
- Child care facilities, libraries, parks, recreational facilities
- Facilities for solid waste
- Brownfield restoration/mitigation, including Polanco Act powers
- Projects on former military base
- Affordable housing
- Industrial structures
- Port/Harbor infrastructure

With a CRIA, you have more flexibility to invest directly in economic development efforts in addition to infrastructure. A CRIA may fund:

- Infrastructure improvements
- Affordable housing
- Hazardous substance remediation, including Polanco Act powers
- Building and other physical improvements
- Acquisition of property for economic development purposes
- Direct business assistance for industrial and manufacturing uses
- Reuse of previously developed sites

Note that a CRIA has a 25% affordable housing set-aside requirement.

What are the differences between an EIFD and a CRIA?

Some of the key points of these tools are highlighted in the table below. It's important to think through what you hope to accomplish, as each tool has varied advantages and disadvantages.

	EIFD	**CRIA**
Governing Body	Public Finance Authority	City or County or JPA
Qualification Criteria for area	No	Yes – median income requirements and certain "blight" findings
Voter approval to form district	No	If 25-50% of property owners/residents protest, an election must he held. If more than 50% protest, adoption proceedings are terminated
Planning Documents Required	Infrastructure Financing Plan	Community Revitalization and Investment Plan
Other Formation Requirements	If a redevelopment project area is involved, Successor Agency must meet certain requirements including finding of completion	If City or County involved has a Successor Agency, the SA must meet certain requirements including finding of completion
Duration	Max 45 years from approval to issue bonds	Max 45 years from formation
Reporting Requirements	Audit every 2 years after issuance of bond debt	Substantive annual report; five year audit of housing expenditures; ten year protest proceeding which can stop all further action with majority protest

Affordable Housing Set-Aside	No, but can build/rehab units if affordability covenants exist or are instated	Yes, 25% of tax increment
Inclusionary Housing Requirement	No	Covenants: 55-year rental, 45-year owner occupied, 15-year mutual self-help. Proportional expenditure limits apply.
Voter Approval to Issue Bonds	Yes – 55%	No

For a more extensive comparison, see this.

What should I consider before escalating the idea further?

1. Identify types of projects you would want to get done
   a. Are they a better fit for an EIFD or a CRIA?
   b. Will another taxing agency/agencies partner with you to support those projects?
   c. Are there other funding sources to leverage?

2. Determine ideal boundary alternatives
   a. Is there the potential for growth that will generate tax increment for investment?
   b. Is there a redevelopment project area already in existence there?
   c. If a CRIA, does the area qualify?
   d. Are there significant residential uses, and if so, will residents support bond issuance for an EIFD or approval of the formation of a CRIA?

3. Perform a back-of-the-envelope analysis to determine the revenue potential. This cursory look could be done as follows:

Step	Example
Identify tax rate areas that roughly reflect the potential EIFD or CRIA	TRAs 10001 and 10002 approximate our ideal boundaries
Obtain assessed value reports by tax rate area from the Auditor Controller	Combined TRAs assessed value = $10,000,000
Assume an annual assessed value growth rate, and add in any potential development to identify future increment above current assessed value	3% annual growth rate, no new development Year 1: $10M x 3% = new assessed value of $10,300,000 Incremental assessed value: $10.3M – $10M (base) = $300,000
Multiply annual increment by 1%, then by the general levy share you anticipate can be achieved (e.g. city only, city and county, city and special district)	Incremental revenue: $300,000 x 1% = $3,000 Assume City and County participate with combined levy share of 25% $3,000 x 25% = $750 collected in Year 1

Project for 45 years (for estimating purposes) to determine gross increment	Repeat calculation: Year 2: $10,300,000 AV x 3%, less base, etc.

4. Up front funding to initiate an EIFD or CRIA could be expensive, including staff time, consultants, special counsel, etc. At a minimum, you will need to consider costs and time for:
    a. More in-depth revenue estimates to determine fiscal feasibility
    b. Outreach and negotiations with taxing agencies
    c. Formation of Public Finance Authority / JPA if necessary
    d. Drafting of Plan for adoption – note that both the Infrastructure Financing Plan and the Community Revitalization and Investment Plan are substantive documents, and are subject to CEQA.
    e. In the case of a CRIA, the project could result in the need for a vote.

5. Can your general fund absorb growing costs of service delivery while giving up a portion of its revenue to an EIFD or CRIA?

6. Are potential projects already captured by other CEQA documentation, or can they be? For example, an EIR for a general plan update could double as the necessary documentation for an EIFD/CRIA if planned in advance.

7. When do you expect your redevelopment project area to expire, and is it an area still needing investment? Setting up an EIFD or CRIA now may put a tool in place you can leverage more later.

EIFDs and CRIAs are tools for entrepreneurial cities and counties that see an opportunity to leverage tax increment for the benefit of their communities. Yes, these tools probably aren't a silver bullet for the many issues that face us, and yes, initiating these efforts seems a bit daunting. However, Redevelopment - as we once knew it - was tough to get going as well. We learned, we got better at it, and have some really good examples of public investment and partnership throughout the state as a result. We can take those lessons and apply them here. You might already have projects in mind that could benefit from these districts; and if you don't, consider that we may see a revolution in land use, transportation, and environmental stewardship over the next 25 years. Putting these tools in place now may be just a part of preparing for the future.