California Economic Development Financing Tools

The dissolution of redevelopment eliminated one of California's most powerful tools for economic development at the local level. Today, Enhanced Infrastructure Financing Districts (EIFDs) and Community Revitalization Investment Authorities (CRIAs) are the tax increment financing tools to accomplish redevelopment. While EIFDs and CRIAs have many useful powers, they remain limited compared to former redevelopment agencies (RDAs).

The following chart compares the powers and financing tools under RDAs, EIFDs, and CRIAs, and highlights the gaps that remain compared to what economic development practitioners need today.

We are grateful for legislators' hard work creating and improving these and other tools, such as AB 806. We also need further changes to make these tools effective for fostering economic growth in California.

TAX INCREMENT FINANCING TOOLS COMPARISON CHART

POWERS

TOPIC	RDA	EIFD	CRIA	WHAT'S NEEDED
Infrastructure Financing	Yes — if no other reasonable means of financing available	Yes — for public capital facilities and projects of community-wide significance	Yes	
Land Acquisition	Yes — may acquire itself or finance acquisition	Yes — finance acquisition only	Yes — may acquire itself or finance acquisition	Permit EIFDs to acquire itself
Eminent Domain	Yes — 12 year limit	Under Gatto only for environmental remediation	Yes — 12 year limit	Permit under EIFD
Land Conveyance	Yes	No	Yes — may convey surplus properties	Permit under EIFD
Environmental Remediation	Yes	Yes	Yes	
Affordable Housing	Yes — 20% set-aside	Yes — no set-aside but any housing units assisted must be affordable	Yes — 25% set-aside	
Maintenance, Operations and Services	No	Yes — maintenance of improvements financed by EIFD	No	Permit under CRIA

FINANCING

TOPIC	RDA	EIFD	CRIA	WHAT'S NEEDED
Property Tax Increment	Yes — mandatory for all taxing agencies	Yes — Only for consenting taxing agencies based on shares designated in plan. Education districts may not consent	Yes — Only for consenting taxing agencies based on shares designated in plan. Education districts may not consent	Develop tools to encourage participation from other taxing agencies. Allow school districts to voluntarily participate.
Other Tax Revenues	No	Yes — only for consenting agencies to fund housing and infrastructure	No	Permit under CRIA
Issuance of Tax Allocation Bonds	Yes — with Board approval	Yes — with Board and 55% Voter approval	Yes — no voter approval required	Eliminate voter approval requirement under EIFD
Term	Up to 45 years of receipt of taxes to repay debt	Up to 45 years from issuance of bonds	Up to 45 years from district formation	

Full Power Limited Power No Power

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EIFDs and CRIAs are Not Viable Tools for Many Cities

Revenues generated under EIFDs and CRIAs are much smaller compared to RDAs because they are limited to participating agency shares, schools are not permitted to participate, and in many cases there are not enough revenues remaining after fulfilling former redevelopment agency obligations. Unless another agency voluntarily participates, EIFDs and CRIAs are limited to City shares of property tax revenue and do not generate a new funding source for economic development.

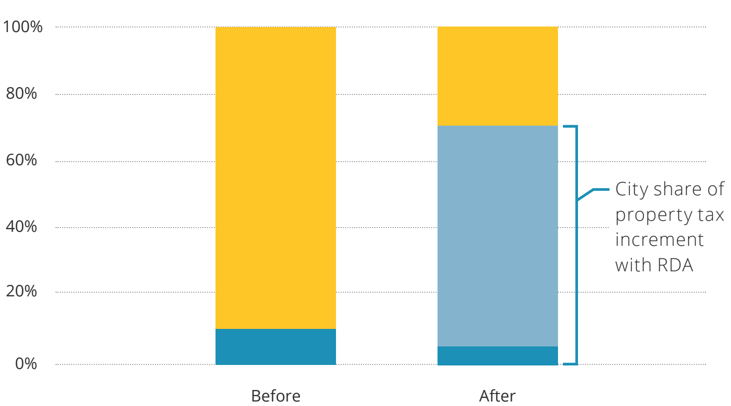
Many cities receive a small share of property tax revenues that range from as little as 3 to 10 percent. Our members have found that EIFDs and CRIAs are only feasible for a small number of cities who have a larger share of property tax revenues and significant new development in the proposed district. Additionally, many cities have lost their internal capacity to pursue an EIFD or CRIA due to limited personnel and budget constraints. The process to form an EIFD or CRIA can be too challenging if it requires full CEQA review (versus a programmatic EIR permitted for RDAs) and voter approval to form the district or issue bonds.

Potential solutions could be to develop tools to encourage other taxing agencies to participate if demonstrated that they benefit financially from new tax revenues generated by the district, or to allow school districts to voluntarily participate if projects are mutually beneficial, such as affordable housing for teachers.

TIF FINANCING TODAY

WITH REDEVELOPMENT

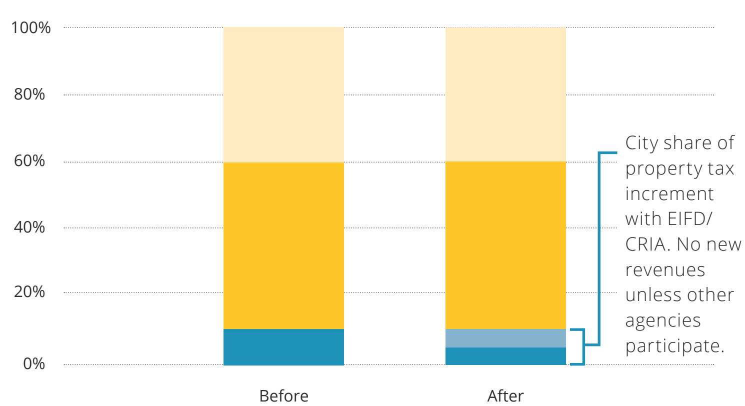
Share of Future Tax Revenues



Significant, unilateral increase in local tax revenues

TODAY WITH EIFD/CRIA

Share of Future Tax Revenues



School or community college districts may not participate.
No increase in local tax revenues, unless agencies elect to participate.

City Share · TI · Other Agencies · Schools

CALED and our Economic Development Finance and Real Estate experts are ready to work with legislators and the Administration to identify ways to address these gaps. Please contact us today.

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These charts were created by CALED's Economic Development Finance and Real Estate (EDFRE) Committee.
Learn more about EDFRE at https://caled.org/everything-ed/caleds-economic-development-finance-real-estate-committee/