



Economic Development Finance & Real Estate Committee

EIFD Case Study – Placentia/Orange County Enhanced Infrastructure Financing District

The City of Placentia/County of Orange TOD Packing House & Old Town Enhanced Infrastructure Financing District (“District” or “EIFD”) was formed on July 31, 2019 as the first City/County cooperative tax increment contribution EIFD to be formed in California.

The EIFD area also encompasses two (2) Opportunity Zone (OZ) census tracts, which enables the City/County to use the EIFD as a collateral inducement for private sector investment driven by the federal tax benefits that OZ’s can provide.

Background

The District encompasses just over 300 acres of land, representing approximately 7% of the City. The District includes the City’s Old Town Placentia Revitalization Plan area (“Old Town”) and Transit-oriented Development (“TOD”) Packing House District (“TOD Packing House District”) as well as other proximate areas. The nucleus of the District is a forthcoming Metrolink station for the 91 Line between LA Union Station and downtown Riverside through Orange County, which will be the first Metrolink station in Orange County in approximately 10 years.

The District represents a partnership between the City and the County of Orange (“County”), and as such, will be funded by property tax increment from both taxing entities. The Southern California Association of Governments (“SCAG”) additionally provided funding assistance for the technical analysis associated with the Infrastructure Financing Plan through its Tax Increment Financing Pilot Project Program. The Placentia / Orange County EIFD was selected for SCAG’s Pilot Project Program based on several factors, including:

1. High potential for development/redevelopment within the near term (i.e. 5 years)
2. Support for mixed-use/transit-oriented development with corresponding zoning in place
3. Identified infrastructure that would be catalytic for future private development
4. Infrastructure that provides communitywide and regional benefit
5. Sufficient tax increment funding capacity to fund targeted infrastructure improvements.

Purpose of the EIFD

The Placentia/Orange County EIFD will serve as a catalyst for private development in the Old Town and TOD Packing Housing District areas, put in place to capture value from significant (~\$460 million+) residential, commercial, and hospitality development potential and to direct the funding that is generated to critical, regional transit-supportive infrastructure with transformative potential for the City and North Orange County region.

Private development and infrastructure improvements in the District will relieve traffic on the 2nd most congested freeway in the nation (91 Freeway) while providing significant community and economic benefits, including:

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- Support of City and County Economic Development Objectives (e.g. job creation, quality of life improvement, and promote environmental sustainability)
 - Sustainable infrastructure improvements, GHG/VMT reduction, convenient transit to local universities
 - 1,600+ housing units
 - 3,900+ construction jobs, 1,150+ permanent jobs
 - \$800+ million in economic output from construction, \$164+ million in annual ongoing economic output
 - ~\$60M present value net fiscal benefit for City over 50 years
 - ~\$32M present value net fiscal benefit for County over 50 years.

Financing Plan

The Public Financing Authority (“PFA”) intends to utilize the District to assist the funding of transit-supportive public infrastructure, including improvements to bicycle and pedestrian connectivity, sidewalks, landscaping, signage, lighting, beautification, public safety access, parking, roadway, circulation, open space, water, sewer and other utility capacity improvements, with emphasis on implementation of the Old Town Placentia Revitalization Streetscape Master Plan, with an estimated cost of approximately \$8 million in 2019 dollars.

The City and County are each contributing a maximum of 50% of their respective shares of property tax increment over a period of 20 years from the date of approval of initial debt issuance. Total increment pledged to the District is capped at approximately \$12.6 million. The City and County intend to seek voter approval for debt issuance anticipated in fiscal year 2022-2023.

The District will utilize additional funding sources and financing mechanisms to implement targeted improvements, including grant sources, impact fees, private sector investment incentivized by the Federal Opportunity Zones tax program, and other sources. Separate from its participation in the District, the City intends to implement a CFD to assist with ongoing maintenance of public improvements installed in the District.

Activities to Date

The Public Financing Authority has engaged in initial strategic discussions related to infrastructure project bidding, future voter approval, debt issuance, and outreach to the State legislature to improve EIFD formation and debt issuance processes for the Placentia/Orange County EIFD and hopefully other EIFDs to be formed in the State.

Keys to Placentia’s and Orange County’s Success/Best Practices

- ✓ Positive existing working relationship with City executive staff and County executive staff
- ✓ Transparent approach to County contribution including evaluation of net fiscal impact to County

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- ✓ Clearly and conservatively defined district, in terms of geographic area (only 7% of City), targeted infrastructure (only \$8 million in estimated costs), district duration (only 20 years from authorization to issue debt), and portion of incremental taxes being dedicated (capped at 50% max in any year)
- ✓ Elected official champions at both the City Council and County Board of Supervisors level
- ✓ Strategic “third party” partner in SCAG as Metropolitan Planning Organization with funding to assist in formation activities
- ✓ Complementary tools identified, e.g. CFD for maintenance, federal Opportunity Zone incentives