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POTENTIAL FUNDING SOURCES FOR INFRASTRUCTURE AND ON-GOING MUNICIPAL SERVICES TO SERVE BRISBANE BAYLANDS

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I. INTRODUCTION

The following report summarizes commonly-used financing tools that could potentially be used to enhance the feasibility of developing the Brisbane Baylands project. The funding mechanisms are organized under two broad categories:

1. Infrastructure Financing Tools
2. Municipal Service Financing Tools

The key attributes of surveyed infrastructure financing tools and municipal service financing tools are provided in Exhibits 1 and 2, respectively.

Exhibit 1 – Potential Infrastructure Financing Tools

Funding Mechanism	Target Improvements	Source of Funding
Special Assessment and Special Tax Districts		
Special Assessment Districts	- Off-Site Infrastructure - Public Facilities - Certain Maintenance/Services	Assessment on property
Mello Roos Community Facilities Districts	- Off-Site Infrastructure - Public Facilities - Certain Maintenance/Services	Special Tax on property
Tax Increment Financing		
Infrastructure Finance Districts (EIFD and IRFD)	- Off-Site Infrastructure - Public Facilities - In-Tract Improvements - Brownfields Remediation - Affordable Housing	Voluntary diversion of portion of property tax increment by participating taxing agencies
Community Revitalization and Investment Area (CRIA)	- Off-Site Infrastructure - Public Facilities - In-Tract Improvements - Brownfields Remediation - Affordable Housing - Certain Vertical Improvements - Property Acquisition/Transfer - Direct Business Assistance	Voluntary diversion of portion of property tax increment by participating taxing agencies
Developer Funding, Financing and Incentives		
Impact Fees	- Off-Site Infrastructure - Public Facilities	Fee credit for improvements funded by Developer
Value Capture from Zoning and Code Changes	- Off-Site Infrastructure - Public Facilities	Real estate value created and/or cost reductions can be used to fund needed improvements
Incentive Agreements	- In-Tract Improvements - Vertical Improvements - Direct Business Assistance	City shares tax revenues generated by Project
Federal/ State Programs		
Investment Incentives	- In-Tract Improvements - Brownfields Remediation - Vertical Improvements - Property Acquisition/Transfer - Direct Business Assistance	Federal/State
Grant/ Loan Programs	- Off-Site Infrastructure - In-Tract Improvements - Brownfields Remediation - Vertical Improvements - Property Acquisition/Transfer - Direct Business Assistance	Federal/State
Brownfield Assistance	- Brownfields Remediation	Federal/State

Exhibit 2 – Potential Tools to Ensure Fiscal Benefits/Neutrality

Mechanism	Description	Source of Funding
Development Agreement		
Privatize infrastructure	Interior roadways; Small parks	Property owners own infrastructure and are responsible for maintenance
Community Facilities District (CFD)	Funds maintenance of: streets; Parks and plazas; Portion of public safety expenses	Special Tax on Property
Developer payments	Cash payments to mitigate loss of tax revenue from closed businesses until revenue is replaced by new development	Developer
Land Use Metering	Require that each phase of development contain mix of land uses to achieve fiscal neutrality	No direct expense
Relocation Requirements	Require existing tax-generating uses be relocated to undeveloped portions of site	Developer funds relocation expense
Fiscal Analysis prior to each phase	Condition construction of each phase on analysis demonstrating cumulative fiscal neutrality/benefit	No direct expense
Tax Policy/Management		
New Taxes	Adopt new construction taxes or business taxes, such as an admissions tax	Developer or businesses
Capture construction use taxes	DA requires Brisbane be point of sale	No new expense
Capture on-going use taxes	DA require that Brisbane be point of sale	No new expense

II. INFRASTRUCTURE FINANCING TOOLS

A. Special Assessment and Special Tax Districts

The intent of special assessment and special tax districts is to fund public capital facilities to serve new development. Districts adopt a new special assessment or special tax paid by property owners within a defined area, which can be used to issue debt for capital improvements that benefit the district. Pursuant to Proposition 218, special assessments must be assigned to property owners in direct proportion to the benefits received from targeted improvements. Special tax formulas are not subject to the same standard and allow for a variety of property characteristics – other than property value – to determine tax apportionment. Both special assessments and special taxes are subject to approval by voters (if 12 or more are registered in the district) or affected property owners (in all other cases). A simple majority is required for special assessments, whereas special taxes must be approved by a two-thirds majority.

The scope of eligible activities in special tax districts is broader than in special assessment districts. While facilities or services funded by special assessment districts must confer "special benefits" upon affected property owners, special tax districts must only ensure that new capital facilities and services supplement, rather than supplant, existing levels of service in the district. Due to their greater flexibility, special tax districts are more commonly utilized than special assessment districts.

Special tax districts are typically authorized under the Mello-Roos Communities Facilities Act of 1982[1] and are referred to as Community Facilities Districts (CFDs). A variety of special assessment districts are authorized under state law, including the Municipal Improvement Act of 1913, Landscape and Lighting Act of 1972, and Benefit Assessment Act of 1982. A comparison of the two structures follows.

1. Mello Roos/Community Facilities Districts

- ***Process:*** CFD may be initiated by two members of the sponsoring legislative body, 10 percent of district voters, or 10 percent of landholders (measured by acreage owned). Proposed districts may include non-contiguous areas. Adoption of the special tax requires a public hearing and an affirmative vote by two-thirds of the qualifying electorate. If there are twelve or more registered voters within the proposed geographic area of the district, then the formation election is an election of registered voters. If there are less than 12 registered voters, then the formation election is an election of property owners, with each owner receiving one vote per acre of owned property. The same approval requirements apply to the issuance of bonds. Bonds are limited to a 40-year

[1] Government Code §53311

maturity and are secured by special tax payments. CFD taxes are paid concurrently with ad valorem property taxes. Throughout the life of the district, an annual report must be produced upon request of property owners.

- ***Use of Funds:*** CFDs can be used to fund the planning, design, construction, rehabilitation or acquisition of a broad range of public facilities. Examples of eligible improvements include:
  - Streets and public right of way improvements;
  - Park, recreation, and open-space facilities;
  - School sites and structures;
  - Libraries, childcare facilities;
  - Water, wastewater and utility infrastructure;
  - Flood infrastructure; and
  - Seismic retrofitting.

  In addition, districts may fund certain public services provided that services are not funded with bond proceeds and services do not supplant those offered prior to the formation of the district. Examples of eligible services include fire and police protection and the maintenance of new infrastructure or parks.

- ***Evaluation:*** CFDs are a widely used tool and are an effective source of funding infrastructure improvements, particularly for developments with a large ownership residential component. They are most commonly used in circumstances in which approval is limited to a small group of land holders.

2. Special Assessment Districts

- ***Process:*** Special assessments districts require the preparation of an engineer's report that demonstrates that planned improvements will confer a "special benefit" upon the district. The report must also allocate the costs of proposed improvements in proportion to benefits received from services and improvements. Affected property owners vote on the assessment, with voting weighted proportionally to each property owner's proposed assessment. A simple majority is required for the assessment to take effect. Once established, the sponsoring public agency may issue bonds secured against assessment revenue, pursuant to the Improvement Bond Act of 1915.[2]

- ***Uses of Funds:*** The many variants of special assessment districts under state law authorize the construction of public facilities such as landscaping, lighting, streets, water, wastewater and storm water infrastructure, parks and public facilities. Most assessment districts also

[2] Streets & Highways Code §8500

allow funding of maintenance costs associated with public facilities. However, assessment bonds are not authorized to pay for ongoing services.

- ***Evaluation:*** Special assessments are appropriate for funding maintenance and infrastructure when benefits can be clearly measured and apportioned among landholders. The revenue capacity of special assessment districts is relatively limited given that assessments may only account for benefits conferred on specific property owners that go beyond standard levels of service.

B. Tax Increment Financing

Tax increment financing permits local agencies to finance infrastructure and other community improvements by issuing bonds secured by growth in an area's property tax revenues. Tax increment financing was approved by California voters in 1952 and later became a widely used tool of redevelopment agencies. Following the dissolution of Redevelopment in 2012, the State has bolstered alternative means of tax increment finance, through the approval of legislation that permits the creation of "Enhanced Infrastructure Finance Districts" (EIFDs), Infrastructure and Revitalization Districts (IRFDs) and Community Revitalization and Investment Authorities (CRIAs).

The key distinctions between these new tools and Redevelopment are as follows:

- Redevelopment Agencies were funded by a statutory dedication of property tax increment from all taxing agencies to the adopted Redevelopment Agency whereas participation is <u>voluntary</u> for the new districts;

- School districts cannot participate in the new TIF districts;

- Because participation is voluntary and school districts cannot participate, the new TIF districts generate less revenue than former Redevelopment agencies;

- Eligible uses of funds under the new TIF districts are generally more limited (with the exception of the CRIA).

While not as robust as Redevelopment, these tools can serve as an important funding source for infrastructure, parks, and public facilities. Once established, infrastructure finance districts and CRIAs are authorized to receive tax increment revenues from a defined area with the consent of affected taxing entities, excluding school districts. The financing capacity of the districts is driven by the portion of the base 1% tax levy that is voluntarily dedicated to the district. It is an effective tool when either a sponsoring city receives a large share of the 1% property tax levy and only a portion of General Fund property tax revenue is needed to fund municipal services or if the county agrees to contribute a portion of the county increment to the

district. All affected taxing agencies serving properties within the district other than school districts can participate and contribute a portion of its share of property tax increment.

The primary objective of infrastructure finance districts is to finance capital projects of "communitywide impact" Districts may include any area, including non-contiguous areas, within a sponsoring city or county. In contrast, CRIAs are specifically focused on improving conditions within disadvantaged communities[3]. Eligible projects are generally restricted to the boundaries of the CRIA, and 25% of tax revenues must be allocated to affordable housing.

The adoption process, eligible uses of funds and terms of each tool are summarized in Table 1.

1. Infrastructure Finance Districts (IFDs, EIFDs and IRFDs)

- ***Process:*** Cities and counties may select from three distinct regulatory authorities to form an infrastructure finance district. Infrastructure Finance Districts (IFDs) are governed by the original Infrastructure Finance District Act of 1990.[4] Enhanced Infrastructure Finance Districts (EIFDs)[5] and Infrastructure and Revitalization Financing Districts (IRFDs)[6] are recent variants of the base IFD legislation. Cities and counties with a redevelopment successor agency must receive a finding of completion from the Department of Finance (DOF) prior to forming an EIFD or IRFD; the same requirement applies to IFDs that overlap with the boundaries of a former redevelopment area.

  The structures vary with respect to governance, process and term (see Table 2). IRFDs are governed by the legislative body of the sponsoring local agency. EIFDs are governed by a separate entity known as the Public Finance Authority. Members of the Public Finance Authority are chosen by the sponsoring agency and are to include three members of the legislative body as well as two members of the public.[7] The governing entity oversees the preparation of the infrastructure finance plan, which must specify the boundaries of the district, the projects to be financed, tax revenues to be captured over time, a plan for debt financing, a fiscal analysis, and the district term. The term of an EIFD is 45 years from voter approval of bond issuance. To adopt the plan, there must be a public hearing, a vote of the governing body, and concurring resolutions by the legislative bodies of affected taxing entities. In addition, plans of IRFDs are subject to a public vote of two-thirds of affected voters or landowners (if there are fewer than 12 registered voters). Both structures require a public vote to issue debt. IRFD require 2/3

[3] Based on the socio-economic eligibility requirements for a CRIA, it is unlikely that the Baylands is eligible for the formation of a CRIA.
[4] Government Code §53395
[5] Government Code §53398.5
[6] Government Code §53369
[7] Additional legislative appointees may be added in cases where multiple taxing entities sponsor the district.

voter approval to issue debt. EIFDs require the support of 55% of voters or landowners in order to issue debt.

- ***Use of Funds:*** At a minimum, infrastructure finance districts are eligible to fund public facilities of "communitywide significance" that are necessary to accommodate new development. Such facilities may include transportation infrastructure, water and wastewater infrastructure, solid waste facilities, and community amenities including parks, libraries, and childcare centers. All three structures are also authorized to reimburse developers for permitting and affordable housing costs associated with a Transit Priority Project, pursuant to Government Code §65470.[8] The scope of EIFDs and IRFDs extends to other forms of private development assistance, including brownfield restoration, projects located on former military bases, Sustainable Communities Strategy projects, industrial structures for private use and affordable housing. IRFDs may additionally fund the construction or acquisition of commercial structures for private use and site work necessary for private development. While not required to build housing, infrastructure finance districts must replace any affordable units destroyed or removed in the course of the district's activities; a portion of market rate units that are removed must also be replaced as affordable units (20% for IFDs/IRFDs, 25% for EIFDs).

- ***Evaluation:*** Assuming that the Brisbane Successor Agency has received a finding of completion from the DOF, either an EIFD or an IRFD could be formed at the Baylands. While a district would not generate as much revenue as a Redevelopment project area, it is likely that it could generate revenue on par with a CFD, and it could be layered with a CFD and other financing tools.

  Brisbane receives approximately 18% of property tax increment and San Mateo County receives approximately 20%. If, for example, both agencies contribute 25% of their tax increment, the district could receive 9.5% of tax increment, which would yield over $200 million of revenue over a 40 year term, assuming the DSP development program.

2. Community Revitalization and Investment Authorities (CRIAs)

As noted previously, it does not appear that Brisbane Baylands would meet the eligibility requirements for the formation of a CRIA. The CRIA and other TIF tools are summarized in Table 1.

[8] A Transit Priority Project must be located within a half mile of a major transit stop, contain at least 50 percent residential uses, and reserve at least 20 percent of units for families with moderate incomes or less.

Table 1: Overview of Tax Increment Financing Tools

	EIFD	CRIA	IRFD
Governing Body	Public Finance Authority	Community Revitalization Investment Authority	Governing body of jurisdiction
Qualification Criteria for Area	No	80% of revitalization area income must be less than 80% statewide median income Must also meet 3 or 4 tests: 1. Unemployment rate 3% higher than state rate 2. Crime rate 5% higher than state rate 3. Deteriorated/inadequate infrastructure 4. Deteriorated commercial and residential buildings	No
Voter Approval to form District	No	If 25-50% of property owners/residents protest, an election must be held. If more than 50% protest, adoption proceedings are terminated	Yes – 2/3
Planning Documents Required	Infrastructure Financing Plan	Community Revitalization and Investment Plan	IFP
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	Same
Duration	Max 45 years from approval to issue bonds	Max 45 years from formation	40 years from adoption or specified date
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	Annual report of expenditures and progress toward goals
Affordable Housing Set Aside	No, but can build/rehab units if affordability covenants exist or are installed	Yes, 25% of tax increment	None
Inclusionary Housing Requirement	If housing is financed, units restricted to low and moderate income	Covenants: 55-year rental, 45-year owner occupied, 15-year mutual self-help. Proportional expenditure limits apply	If district constructs housing then 20% must be low/limited income
Voter Approval to Issue Bonds	Yes – 55%	No	Yes – 2/3
Additional Funding Sources	Property taxes in lieu of VLF Residual RPTTF Assessment District	Same	None
Eligible Uses	▪ Road, transit facilities ▪ Brownfield restoration ▪ Parks, libraries ▪ Sewer/ water/ flood improvements ▪ Affordable housing	▪ Infrastructure ▪ Affordable housing ▪ Convey property for economic development ▪ Eminent domain ▪ Business assistance	Same as EIFD

C. Developer Funding, Financing and Incentives

Developers of property typically bear the primary responsibility for funding in-tract improvements necessary to complete their projects. In contrast, the path to delivery of infrastructure that serves a broader area requires greater coordination among public and private stakeholders. The mechanisms reviewed below offer ways of engaging developers in the funding and financing of off-site improvements necessary for accommodating new development and spurring further economic growth. A final tool, incentive agreements, provides a vehicle for local agencies to fund a portion of in-tract costs in cases where private development would not otherwise be feasible.

1. Development Impact Fee Credits and Reimbursements.

Pursuant to the Mitigation Fee Act,[9] local agencies may assess impact fees to cover incremental service and capital costs of new development. Fees are typically paid at the time of building permit issuance or recording the final subdivision map and are placed into a reserve fund for specific improvements. Parking or traffic mitigation fees are examples of development impact fees. A technical analysis is required to demonstrate the proportional relationship between the fee and the incremental costs to the agency, prior to adoption by the legislative body. Local agencies may also consider market factors when setting fees, in particular, whether fee levels stand to impact development feasibility.

Many local agencies permit developers to construct area-serving infrastructure such as streets, utilities, parks and open space in lieu of paying certain impact fees. Local agencies may also enter into agreements to reimburse developers for investments in area-serving infrastructure in cases where the value of the investment exceeds fees otherwise owed by the project. Local agencies may pledge future development-based revenues, such as impact fees, assessments or special taxes towards the reimbursement agreement; however, pursuant to Government Code §53190, the general fund must not be liable for repayment of obligations. All special levies and assessments are subject to approval by property owners and voters, as described in the previous section.

2. Development Agreements and Enhanced Zoning

It is common for local agencies to enter into a development agreement when conferring long-term entitlements for a major project. As part of the negotiation process, developers may offer to provide extraordinary benefits, including infrastructure and other public facilities. These commitments are agreed upon at the discretion of negotiating parties and as such are not subject to the Mitigation Fee Act. The nature and magnitude of benefits provided will depend on local market conditions, the entitlements, and the development economics of the project.

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[9] Government Code §66000

Providing favorable entitlements can be an effective means for funding infrastructure and public facilities. Examples include: permitting residential development, reducing parking requirements, increasing permitted floor to area ratios, etc. By increasing the value of the private development, additional "value" is created for infrastructure improvements.

3. Economic Incentive Agreements

Incentive agreements provide the private sector a form of gap funding in situations where the development economics do not support the full cost of a commercial project with the potential to deliver substantial community benefits. Local agencies may enter into incentive agreements pledging to rebate a portion of sales taxes generated by new businesses locating to an area that designate the jurisdiction as the point of sale. Incentive agreements may also track and rebate a portion of Transient Occupancy tax revenues generated by the suppliers, customers, and employees of new businesses. Developers or tenants can leverage such agreements to finance site or tenant improvements in private capital markets secured by anticipated tax rebates. Pursuant to Section 53083 of the California Government Code, jurisdictions providing economic development subsidies must specify in a public hearing the amount of the subsidy and the projected benefits prior to entering into an incentive agreement valued above $100,000.

D. Federal and State Programs

Federal and state grants, loans and incentive programs are valuable sources of gap financing and funding for local infrastructure and economic development projects. Many programs are competitive and emphasize investments in areas of economic need. Funding opportunities are myriad and subject to change; what follows is a selection of the most widely used and most applicable sources. The attributes of the programs are summarized in Table 2.

1. Investment Incentives

The Federal government sponsors several programs which incentivize private investment in qualifying economic development projects. Qualifying projects in turn gain access to a source of low cost financing, subsidized by federal incentives. The most widely used incentive programs are the following:

- ***New Market Tax Credits:*** The federal New Market Tax Credit Program (NMTC) provides a source of low-interest financing to businesses located in low-income Census tracts or serving low-income residents via tax credit allocations to financial intermediaries. The Community Development Financial Institutions Fund (CDFI Fund) of the U.S. Department of Treasury awards approximately $3.5 billion annually in tax credit allocation authority to local, mission-oriented financial intermediaries referred to as Community Development Entities (CDEs). Private individuals and firms earn income tax

credits for investing in CDEs provided that CDEs direct investments to qualified projects. Qualified projects include commercial and mixed-use developments located in low-income Census tracts. Low-income Census tracts are characterized by median incomes less than 80% of the metropolitan median or a poverty trade above 20%. Businesses located in moderate income communities (up to 120% of the metropolitan median income) may qualify if a substantial share (40%-50%) of their employees, customers, or owners are low-income. Federal standards set minimum eligibility requirements. CDEs apply additional criteria in selecting from qualified projects, based on the organization's mission and area of focus. Creditworthiness of the borrower is another important factor, since NTMC investments are typically structured to leverage debt financing.

- ***Historic Preservation Tax Incentives:*** The Historic Preservation Tax Incentives program administered by the U.S. Department of the Interior and the Department of the Treasury provides an income tax credit equal to 20% of eligible costs to rehabilitate certified historic buildings and 10% of costs to rehabilitate other commercial buildings built before 1936. Certified historic buildings must be listed in the National Register of Historic Places, or demonstrate a contribution to a listed historic district. Rehabilitation is subject to detailed standards for preserving the property's historic character. Project sponsors meeting the requirements may then use awarded tax credits to leverage favorable financing from a third party.

2. Loan Programs

Loan programs provide local agencies and private partners with loan guarantees, access to tax exempt bond pools, or other forms of debt financing with favorable rates and terms. Commonly utilized loan programs include:

- ***HUD Section 108 Loan Program:*** The U.S. Department of Housing and Urban Development administers the Section 108 program, which allows local governments to use future CDBG allocations (up to five times their annual allocation) as a loan guarantee to assist in financing economic development projects. Through Section 108, local governments gain access to flexible terms and lower rates from third-party lenders. While CDBG funds serve as security, local agencies typically use another revenue stream to repay the loan, including revenues generated by the project. Consistent with CDBG rules and requirements, projects may include acquisition and rehabilitation of public infrastructure and private property to the extent the project benefits low- and moderate-income residents, eliminates blight, or responds to other community priorities. Starting in FY2016, borrowers are subject to a one-time administrative fee of 2.56% of the principal borrowed. Section 108 applications are received on an ongoing basis.

- ***State Infrastructure Bank: Industrial Development Bonds:*** The State Infrastructure Bank's Industrial Development Bonds program funds the acquisition, construction and

rehabilitation of manufacturing facilities. Bonds are issued by the State Infrastructure Bank, local Industrial Development Authorities, or Joint Power Authorities. Applications are submitted for specific projects rather than for community wide improvements. . IDB financing provides projects up to $10 million in long-term financing at favorable interest rates. Terms of maturity are limited to 120% of the life of the assets financed. The majority of funds must be dedicated toward production purposes; no more than 25% may support investments in office or warehouse space. Applications are accepted on an ongoing basis.

- ***State Infrastructure Bank Revolving Loan Program:*** The State Infrastructure Bank Revolving Loan Fund provides favorable loans of up to $25 million to local agencies to finance a range of infrastructure projects. Eligible projects include public facilities such as streets, water and waste water infrastructure, as well as private development assistance including the construction of industrial and commercial facilities and related infrastructure. Local agencies determine the revenue source for loan repayment. Applications are accepted on an ongoing basis.

- ***Statewide Community Infrastructure Program:*** The Statewide Community Infrastructure Program is a tax exempt financing pool administered by the California Statewide Communities Development Authority. Thirty-year, tax-exempt bonds issued by CSCDA are secured by special assessments or a special tax levy. Proceeds may be used to fund public facilities, advance impact fees payable to a local agency, or reimburse developers for the cost of public improvements. The SCIP achieves favorable interest rates by pooling smaller financings into a single bond issuance. SCIP can also assist local agencies in the establishment of special assessment or community facility districts. Any local agency that is a member of CSCDA is eligible to participate; applications are accepted on an ongoing basis.

3. Grant Programs

State and federal grants generally prioritize projects in areas of economic need, or that reflect other priorities of sponsoring agencies. A common source of grant funding for economic development projects is the U.S. Economic Development Administration (EDA). The EDA's largest grant program is the Public Works program, which awards competitive grants to local agencies of up to $3 million toward infrastructure investments necessary to carry out a regional economic development strategy. Eligible projects include water and wastewater infrastructure, industrial parks, and business incubators. Applicants must demonstrate economic distress either through: (1) an unemployment rate above the national rate; (2) incomes below the national median; or (3) special circumstances. Special circumstances arise with the need to prevent the loss of a major or respond to a military base closure, for example. Grant applications are accepted on an ongoing basis.

4. Brownfield Assistance

State and federal agencies offer various grants and loans to assess and remediate brownfields sites for development purposes (Table 2). Local agencies may target privately owned parcels with permission of the property owner. The California Department of Toxic Substances control offers grants of approximately $75,000 for site assessment and low-interest loans of up to $900,000 for site cleanup conducted after an environmental assessment. The EPA offers grants of up to $200,000 for both assessment and cleanup; cleanup funds require a 20% local contribution.

Table 2. Summary of Federal and State Grant Programs

Category	Program	Administrator	Type/ Amount	Primary Uses
Investment Incentives	New Market Tax Credits	U.S. Department of Treasury	39% tax credit over seven years	Commercial projects in low-income communities
	Historic Preservation Tax Incentives	U.S Dept. of the Interior, Department of Treasury	10% or 20% tax credit upon occupation	Rehabilitation of historical structures
Loan Programs	Section 108 Loan Program	U.S. Department of Housing and Urban Development	Loan guarantee up to 5X annual CDBG allocation	Infrastructure and commercial projects primarily in areas of economic need
	Revolving Loan Program	State Infrastructure Bank	Favorable loans up to $25 million	Infrastructure and commercial projects
	Industrial Development Bonds	State Infrastructure Bank	Favorable loans up to $10 million	Manufacturing facilities
	Statewide Community Infrastructure Program	California Statewide Communities Development Authority	Tax exempt bond financing	Public facilities
Grant Programs	Public Works Program	Economic Development Administration	Up to $3 million	Infrastructure and commercial projects in areas of economic need
Brownfield Assistance	Targeted Site Intervention Program	California Department of Toxic Substances Control (DTSC)	Grants of $75,000/site	Environmental site assessment
	Revolving Loan Fund	California Department of Toxic Substances Control (DTSC)	Favorable loans, up to $900,000/site	Site clean-up
	Assessment Grants	Environmental Protection Agency	Grants up to $200,000/site	Environmental site assessment
	Cleanup Fund	Environmental Protection Agency	Grants up to $200,000/ site; 20% match	Site clean-up

III. MUNICIPAL SERVICES FINANCING TOOLS

It is standard practice for cities to include provisions in Development Agreements that ensure that a proposed development will, at a minimum, achieve fiscal neutrality. Widely used tools include the following:

1. ***Capture construction use tax revenue.*** Large developments generate a tremendous amount of use tax revenue from the purchase of construction materials. A Development Agreement can include provisions that ensure that Brisbane will be identified as the point of sale for the purchase of materials, which will enable Brisbane to directly collect the use tax revenue generated by the project's construction. The collection of use tax revenue can be a very effective measure for off-setting the interim loss of revenue during a project's early years.

2. ***Privatize funding of a portion of municipal services.*** A development agreement (DA) can require that certain municipal service costs be funded privately. For example, an Assessment District or a Community Facility District (CFD) could be established for maintaining public roads, public entryways, landscaped areas, trails, and parks. Some communities also fund a portion of public safety services by establishing a Community Facilities District. A CFD is a special tax, secured by a lien on private property.

3. ***Privatize roads*.** In many communities, the system of internal streets that serve residential neighborhoods or business campuses are privately owned and maintained. This reduces the cost of providing municipal services, which improves the fiscal balance of the project.

4. ***Maximize capture of use tax and sales tax revenues.*** Each of the proposed Baylands concepts includes over 4.8 million square feet of space for commercial, office, and R&D tenants. There is a wide variation in the amount of use tax revenue generated by these types of businesses, but a development agreement can be structured to maximize the allocation of these revenues to the City of Brisbane.

5. ***Land use metering*.** A development agreement can require that land use components be metered based on their fiscal impacts to ensure that the project is fiscally positive. For example, the office components and the hotel components are anticipated to generate fiscal surpluses while residential uses are anticipated to generate fiscal deficits. The project could be required to develop office and hotel uses prior to or in conjunction with residential uses to ensure that the project generates a fiscal surplus. Often the metering is expressed as tying residential building permits to start and completion dates for non-residential components.

6. ***Relocation requirements.*** A development agreement can require that existing tax-generating uses, such as the soils processing business be relocated to undeveloped

portions of the site to maintain tax revenue from these businesses for as long as possible. This is an effective tool for addressing fiscal issues that will occur during the construction of the project.

7. ***Developer payments*.** A development agreement can require the project's developer to provide cash payments to the City to off-set the loss of tax revenue from closing businesses until the new development generates sufficient tax revenue to fund municipal services and off-set the losses.

8. ***Fiscal Analysis prior to each development phase.*** One of the major challenges of evaluating the fiscal impacts of a large multi-phase project early in the planning process is that market conditions will likely change dramatically between the time that the project receives entitlements and construction starts on the all phases subsequent to the first phase. To address this issue, a development agreement can require a fiscal analysis be undertaken prior to starting each increment of development and that the construction of each increment be conditioned upon the fiscal analysis' determination that the project's cumulative fiscal impact will be positive upon the completion of the subject increment. This approach also enables each fiscal analysis to take into account the actual impacts of the prior phase and to reflect changes in legislation and other conditions that will impact the analysis. For example, if in the future, the City resumes receiving an allocation of property taxes in-lieu of motor vehicle license fees, then the future fiscal analysis could reflect this change.

9. ***Consider new taxes.*** Adopting new taxes is another tool to explore. For example, some cities have adopted admission taxes on entertainment venues that have the capacity to generate very large sums of revenue. Another example is a construction tax on new construction.