



Agenda Item No: 3.a

PLACENTIA CITY COUNCIL AGENDA REPORT

Meeting Date: May 6, 2025

Submitted by: Jeannette Ortega

From: Administrative Services

Subject:

Study Session: Placentia Enhanced Infrastructure Financing District and the Old Town Streetscape Master Plan

Financial Impact:

Fiscal Impact:

Estimated range of \$17 to \$24 million in property tax increment over approximately 40 years. Up to \$59 million in net fiscal impact revenue to the City over approximately 50 years.

Summary:

In response to the elimination of redevelopment agencies, California Senate Bill 628, effective January 1, 2015, and California Assembly Bill 313, effective January 1, 2016, authorized public agencies to form Enhanced Infrastructure Financing Districts ("EIFDs"), which are public financing instruments designed to succeed former Redevelopment Agency financing mechanisms and provide more flexibility than Infrastructure Financing Districts ("IFDs"). An EIFD is a governmental entity, separate and distinct from the city or county that establishes it and is governed by a Public Financing Authority ("PFA").

EIFDs can aid local government entities in funding public capital facilities, or other specified projects of communitywide significance, primarily by capturing Tax Increment ("TI") revenue generated within the district. EIFDs provide an opportunity for agencies to issue bonds for an array of public infrastructure projects as well as supporting economic development efforts in specific areas. Those areas of particular interest to Placentia are in the Old Town Placentia Revitalization Plan area.

On June 18, 2019, the Placentia City Council, in accordance with EIFD law, adopted Resolution No. R-2019-28 approving the Infrastructure Financing Plan ("IFP") for the EIFD. The IFP specifically defines the boundaries of the EIFD, identifies the public infrastructure improvements, and the financial analysis of expected tax increment over the life of the EIFD to allow for the issuance of bonds to pay for the identified public infrastructure improvements.

However, a nascent EIFD bond market, the COVID pandemic, inflation, and related current economic conditions have contributed to delayed EIFD implementation and cost increases. Specifically, the Old Town Streetscape Master Plan cost estimates have increased from approximately \$8 million to \$10.05 million, an increase of 25.6%. In addition, interest rates have risen, increasing the cost of debt service, particularly to a "first-time" debt issuer, such as

the Placentia EIFD. As a result, the existing financing structure approved by the City Council on June 18, 2019, will not facilitate private investment and will fall short of expected rate of Tax Increment (TI) growth. Subsequently, an amendment to the Infrastructure Financing Plan (“IFP”) for the EIFD was needed.

On April 18, 2023, the City Council held a Study Session to review the proposed amendments to the Infrastructure Financing Plan (“IFP”) for the EIFD. Since that time, City Staff, County Staff, consultants, and legal advisors have worked to formalize the proposed updates to the Amended IFP.

On March 5, 2024 the City Council adopted a resolution approving the amended Infrastructure Financing Plan (“IFP”) for the EIFD. The County Board of Supervisors (Board), at their Board meeting on March 12, 2024, unanimously approved a resolution to amend the Infrastructure Financing Plan for the City of Placentia EIFD. The amended IFP was approved by the Board of the Placentia EIFD Public Financing Authority on April 9, 2024 and May 14, 2024, respectively.

Tonight's Study Session is intended to review the recommendations by the Measure U Committee as well as review the status of the design of the Old Town Streetscape Master Plan and the EIFD financial analysis.

Recommendation:

Recommended Action: It is recommended that the City Council take the following actions to:

1. Receive and file the Staff Report and presentations; and
2. Ask any questions of the Measure U Committee and Staff; and
3. Provide direction to Staff as appropriate regarding the next steps in the EIFD Process.

Strategic Plan Statement:

This item is consistent with the City Council approved 5-Year Strategic Goal to Promote Community and Economic Development, under Objective #3.4, which is to Complete Financing Structure for Old Town EIFD.

Discussion:

In response to the elimination of redevelopment agencies, California Senate Bill 628, effective January 1, 2015, and California Assembly Bill 313, effective January 1, 2016, authorized the formation of EIFDs, which are public financing instruments designed to succeed the former Redevelopment Agency financing mechanism and provide more flexibility than IFDs. An EIFD is a governmental entity, separate and distinct from the city or county that establishes it and is governed by a PFA that is comprised of one or more members from the participating EIFD parties.

Unlike Redevelopment, other affected taxing entities are not required to forgo their TI for the district; participation is voluntary. Each tax sharing entity that chooses to join an EIFD has the option to allocate up to 100% of its portion of TI to the district. Under the EIFD law, school districts are precluded from participation.

EIFDs provide an opportunity for agencies to issue bonds for an array of public infrastructure projects as well as supporting economic development efforts in specific areas. The area of particular interest to Placentia is the infrastructure needed in and around the newly established Old Town Placentia Revitalization Plan. This area will require a significant investment of

infrastructure in order to attract developers to the area while improving the City's housing stock and retail opportunities for the public. Land use designations in the area include residential, commercial, industrial, open space and parks. The area contains over 300 acres, which is approximately 7.1% of the City's total 4,243 acres.

On June 18, 2019, the Placentia City Council, in accordance with EIFD law, adopted Resolution No. R-2019-28 approving the Infrastructure Financing Plan ("IFP") for the EIFD. The IFP specifically defines the boundaries of the EIFD, identifies the public infrastructure improvements, and the financial analysis of expected tax increment over the life of the EIFD to allow for the issuance of bonds to pay for the identified public infrastructure improvements.

However, a nascent EIFD bond market, the COVID pandemic, inflation, and related current economic conditions have contributed to delayed EIFD implementation and cost increases. Specifically, the Old Town Streetscape Master Plan cost estimates have increased from approximately \$8 million to \$10.05 million, an increase of 25.6%. In addition, interest rates have risen, increasing the cost of debt service, particularly to a "first-time" debt issuer, such as the Placentia EIFD. As a result, the existing financing structure approved by the City Council on June 18, 2019, will not facilitate private investment and will fall short of expected rate of Tax Increment (TI) growth. Subsequently, an amendment to the Infrastructure Financing Plan ("IFP") for the EIFD was needed.

Amended Infrastructure Financing Plan

The Amended Infrastructure Financing Plan ("IFP") prepared by Kosmont Companies ("Kosmont") for the Placentia EIFD includes tax increment revenue projections, a cap on the maximum tax increment revenue to be contributed to the EIFD by both the City and the County, bond authorization, a description of proposed facilities to be funded, a finding of communitywide significance, and a statement of the goals of the EIFD. As a participating taxing entity of the Placentia EIFD, the County Board of Supervisors had the opportunity to review the Amended IFP.

The key changes in the Amended IFP included the following:

1. Recalibration of the duration (term) of tax increment allocation:
 - Increase City maximum term from 20 to 40 years
 - Could end earlier if interest rates level out prior to bond issuance
 - Increase County maximum term from 20 to 25 years, with option to extend to 30 only if needed
 - Provides adequate time for County to contribute its full share of tax increment (i.e., \$3.547 million)
 - Additional 5 years only triggered if tax increment receipt levels perform worse than suboptimal projections
 - EIFD to terminate upon extinguishment of all EIFD debt, even if repaid early
2. Increase City's maximum dollar allocation from \$9,100,000 in tax increment up to \$24,000,000 in increment (more likely \$17-19M over 33-35 years needed), could be as low as \$12M over 30 years in best-case interest rate scenarios
 - Amount projected to enable full repayment of various financing structures evaluated, even under severely adverse issuance conditions
3. Limitation / focus on use of funds: EIFD tax increment limited to repayment of IFP projects costs & associated debt; excess amount would flow to General Funds of City and County.

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Tax Increment Update

Kosmont prepared a tax increment analysis to determine district revenue potential based upon planned projects and future development potential. Based on this analysis, the City’s contribution is capped at 50% of its share of property tax increment (~6.8 out of 13.6 cents on the dollar) within the district boundary for a maximum of \$24,000,000 total over the approximately 40-year district lifetime (estimated range of actual allocation is \$17 to \$24 million, depending primarily on interest rates). The County’s contribution is similarly capped at 50% of its share (~2.95 out of 5.9 cents) within the district boundary for a maximum of \$3,547,000 total over the first 25 years of the district’s lifetime, with an option to extend to 30 years, only if needed. Both the City and County allocations would terminate sooner if project funding goals were achieved sooner than projected.

Below is a summary of the projected tax increment and the actual tax increment received since the formation of the EIFD:

Fiscal Year	Projected TI	Actual TI	Difference
2021-22	\$7,849	\$13,408	\$5,559
2022-23	\$101,476	\$51,291	(\$50,185)
2023-24	\$222,844	\$212,187	(\$10,657)
2024-25	\$235,150	TBD	TBD
	TOTAL TI RECIEVED	\$267,886	

Preliminary Bonded Indebtedness

Kosmont Financial Services provided a preliminary bonded indebtedness analysis with County’s participation and estimated EIFD revenues. The structure of the analysis is a City-issued 30-year lease revenue bond of approximately \$10.5 million to net approximately \$10.05 million in net proceeds. A total of approximately \$19.1 million (principal and interest) would be repaid over 30 years with an average annual payment of approximately \$676,000. The IFP amendment allows for up to 40 years to provide additional time for EIFD tax increment revenues to pay back debt service costs.

Financial Implication of Establishing Placentia EIFD

Kosmont concluded several regional financial implications for the establishment of the Placentia EIFD, including providing essential regional transportation infrastructure improvements, improved regional competitiveness for federal/state grant funds and support of the County’s Comprehensive Economic Development Strategy (e.g., job creation, quality of life improvement, promote environmental sustainability). Locally, based on the Kosmont gross economic impact analysis, approximately 5,364 construction jobs will be created, 258 permanent jobs will be created, \$826 million in economic output from construction, and \$38 million in annual ongoing economic output. Implementation of the Placentia EIFD is forecasted to create an acceleration of development and related fiscal revenues in the amount of

approximately \$59 million in net fiscal impact to the City and \$50 million in net fiscal benefit to the County (present value net fiscal benefit over 50 years).

Old Town Streetscape Master Plan Update

On April 4, 2023, the City Council approved a Professional Services Agreement with HR Green Pacific (HR Green) for civil engineering design services related to the Old Town Placentia Streetscape Improvement Project. The agreement was authorized for a not-to-exceed amount of \$608,594, with an additional 10% change order of \$60,860. A total of \$650,000 was budgeted in the FY 2022-23 Capital Improvement Program Budget for these design services.

As of now, HR Green is about 90% complete on the project design and has invoiced the City approximately \$625,000 in services rendered.

To address necessary modifications related to fire truck turn radius requirements at specific locations on Bradford Avenue and Santa Fe Avenue, an additional \$150,000 in funding is required to complete the remaining design services related to the Old Town Placentia Streetscape Master Plan.

Fiscal Impact Summary:

As described above, preliminarily, it is projected that approximately \$10.05 million could be generated in net bond proceeds utilizing City and County tax increment revenues over the approximately 40-year term of the Placentia EIFD to help fund core public infrastructure needed to support Placentia's growth. The City's contribution is capped at 50% of its share of property tax increment (~6.8 out of 13.6 cents on the dollar) within the district boundary for a maximum of \$24,000,000 total over the approximately 40-year district lifetime (estimated range of actual allocation is \$17 to \$24 million, depending primarily on interest rates). The County's contribution is capped at 50% of its share (~2.95 out of 5.9 cents) within the district boundary for a maximum of \$3,547,000 total over the first 25 years district lifetime, with an option to extend to 30 years only if needed. Both the City and County allocations would terminate sooner if project funding goals are achieved sooner than projected.

The debt insurance structure approved by the County is for the City to loan \$1 million to accelerate Project financing which would reduce bond issues size, debt service, improve security and reduce the bond interest rate. In this structure, the City would take the lead and issue its own 30-year Lease Revenue Bonds ("LRBs") in lieu of the PFA. The City would provide property/building collateral for underlying LRB lease in this structure. The ultimate debt issuance structure would come before the City Council for separate approval at the appropriate time.

While the Placentia area would benefit from the infrastructure improvements, the formation of the EIFD results in a reallocation of TI (i.e., the City's share of taxes levied on property within the district boundaries on that portion of the taxable valuation over and above the taxable valuation of the base year property tax roll) from the General Fund to pay for the Placentia infrastructure improvements.

The TI projections are based upon various assumptions made utilizing the future growth potential of the residential, commercial, and industrial development sectors in the area. Once the EIFD has terminated, the property tax increment revenue allocated to the EIFD will flow back into the City's General Fund. The property tax generated up to the taxable valuation of

the base year tax roll will continue to flow to the City's General Fund.

Lastly, an additional \$150,000 in funding is needed to complete the civil engineering design services related to the Old Town Placentia Streetscape Master Plan.

Attachments

[Citizens Oversight Committee Presentation](#)

[EIFD and Streetscape Presentation 5.6.2025.pptx](#)