



Administrative Report

Council Action Date: April 17, 2018

To: MAYOR AND CITY COUNCIL

From: STEPHEN PROUD, WATERFRONT AND ECONOMIC DEVELOPMENT DIRECTOR

Subject: DISCUSS THE POTENTIAL FORMATION OF AN ENHANCED INFRASTRUCTURE FINANCING DISTRICT (EIFD) WITHIN THE CITY OF REDONDO BEACH WHICH INCLUDES THE AES PROPERTY AND AUTHORIZE STAFF TO SUBMIT AN EIFD APPLICATION TO THE LOS ANGELES COUNTY CHIEF EXECUTIVE OFFICER

RECOMMENDATION

1. Receive and file the Enhanced Infrastructure Financing District report.
2. Direct staff to initiate discussions with Los Angeles County Supervisor's office regarding County participation in Enhanced Infrastructure Financing District.
3. Authorize submittal of EIFD Application to Los Angeles County Chief Executive Officer.

EXECUTIVE SUMMARY

With the pending closure of the AES power plant, the City has a unique opportunity to participate in the redevelopment of the 50-acre site and create a coastal park that including a significant wetlands restoration component. In order to facilitate the park creation and/or any other potential public improvements to the site (e.g. infrastructure, wetlands, site remediation, etc.), staff has been evaluating the merits of implementing an Enhanced Infrastructure Financing District ("EIFD" or the "District") within the City that would include the AES site. The creation of an EIFD is authorized by State legislation, which became effective in 2015. EIFD's permit the use of tax increment financing ("TIF") from new private sector development within the EIFD to pay for sustainable infrastructure projects such as parks, wetlands restoration, site clean-up, and other related public amenities. As such, the creation of an EIFD could help underwrite and support the financing for the acquisition and redevelopment of all or a portion of the entire AES site. A PowerPoint presentation on the mechanics of how an EIFD is formed and the types of activities that may be funded will provided to the City Council as a Blue Folder item.

To maximize the effectiveness of an EIFD, the City has engaged Los Angeles County as a public partner. Based on the EIFD statute, the City and County can independently agree to pledge all or a portion of their property tax increment in an EIFD area to the District. In doing so, each taxing entity becomes a member of a Public Financing Authority, which is the entity created to manage the EIFD. This report provides background information on the EIFD process and requests City Council direction to further engage Los Angeles County in negotiations regarding their participation in an EIFD.

BACKGROUND

The principal use of the 50-acre Redondo AES site is to serve as a power plant. In response to State Water Resources Board regulations affecting coastal power plants that use ocean water for cooling, Redondo AES has proposed to retire the power generating units by 2020. As a result, the AES site is available for redevelopment and has been the subject of a marketing effort by AES since 2015 to find a buyer for the site. The City Council formed an AES Subcommittee to engage with AES and prospective purchasers of the site to ensure that any proposed redevelopment represents the broader interest of the community.

The Redondo AES site is currently zoned P-GP (Generating Plant) which provides for uses that include public utilities and parks and open space. Any change in the use (other than for park and open space) would require a zoning amendment, General Plan amendment (both subject to voter approval), as well as California Coastal Commission approval. In recent years, there have been two public votes on development concepts for the site and neither received a majority vote. In an effort to derive public benefit from the redevelopment of the site, the AES Subcommittee has recommended that the City inform AES of its interest in acquiring all or a portion of the property and has been in continuous discussions with AES. To support the acquisition effort, the City was actively engaged in the passage of SB 5 (2017), now listed as Proposition 68 on the June 2018 ballot, which includes funding that can be used to acquire and support the conversion of coastal power plants to open space.

In considering the acquisition and redevelopment of the AES site, the City is also evaluating a range of options to fund improvements to the property, which include the creation of a regional park and open space amenity. In response to the elimination of redevelopment agencies, and in an effort to support statewide sustainability goals, the State legislature passed SB 628 (2014) which created a path to use tax increment financing to fund public improvements, referred to as Enhanced Infrastructure Financing Districts (EIFD's). EIFD's provide an opportunity for agencies to issue bonds for an array of public projects as well as support economic development efforts in specific areas.

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Tax increment financing, which is the basis for the EIFD, uses the growth in property tax revenues contributed by participating agencies (city, county, special districts) to fund local or regional projects. This approach does not increase property taxes; rather, the increased value created by new private sector development drives an increase in property tax revenue, which in turn can be captured by a District to support the issuance of a bond(s). Bond proceeds are used to pay for infrastructure improvements within the District that then support additional private investment, creating a cycle of reinvestment and improvement. The "incremental" property tax revenues can be collected by the District for a period of 45 years from the date of the first bond issuance. In addition to property tax revenues, the District can augment the funding by a variety of local taxes, state, or federal funding programs (e.g., Cap & Trade, Proposition 68 Parks/Water Bond, Proposition 1, EPA, etc.).

Given the diversity of public improvements that can be funded by an EIFD, the City is evaluating whether an EIFD could be used to facilitate redevelopment of the Redondo AES power plant site to beautify the area adjacent to the waterfront and provide critical investments in the South Bay region, including open space, wetlands restoration, and cultural/recreational amenities.

To that end, during the last few months numerous steps have been taken to assess the benefits of this approach. These include hiring a consultant to evaluate different options for funding necessary improvements, understanding the financial pros and cons of tax increment financing, identifying potential projects that can be funded through the EIFD, and working in partnership with major stakeholders (e.g. Southern California Edison). The next step is to engage the County on their possible participation in the district. The following highlight some of the key features of the EIFD:

Goals of the District – Overarching purpose of the District is to fund the improvements necessary to acquire all or a portion of the Redondo AES power plant site and redevelop the site to fulfill State/regional/city goals of sustainability through wetlands restoration, and the creation of a regional park with cultural and recreational amenities.

District Boundaries – District planning area includes the 50-acre Redondo AES power plant site, and up to 40 acres of adjacent property that could benefit from infrastructure investments, such as SCE transmission/distribution right of way and private, under-developed property.

Public Improvements Proposed – It is estimated that approximately \$30 – \$50 million of infrastructure investment could be funded through the EIFD to support a regional park and related development, including land acquisition, wetlands restoration, open space and recreational amenities, circulation, public parking, and utility improvements.

Potential Private Investments – In order to provide revenues to the District that support public open space, some level of private investment is needed, which may include a potential resort hotel and ancillary retail and restaurants.

COORDINATION

Discussions regarding the redevelopment of the AES site and the potential to implement an EIFD that includes AES property have been coordinated with the AES City Council Subcommittee, the City Manager's Office, the Community Development Department, and the Waterfront and Economic Development Department.

FISCAL IMPACT

Negotiations with Los Angeles County and the submittal of the EIFD application are not expected to result in a fiscal impact to the City beyond the Consultant costs associated with this effort and previously approved by the City Council via the Kosmont Associates contract. Once the EIFD negotiations are complete, a fiscal analysis of the proposed district will be presented to the City Council as part of any Authorizing Resolutions for the formation of the EIFD.

SUBMITTED BY:

Stephen Proud, Waterfront and Economic Development Director

APPROVED BY:

Joe Hoefgen, City Manager