



Staff Report

File #: REPORT 18-0256, Version: 1

**Honorable Mayor and Members of the Hermosa Beach City Council
Regular Meeting of April 24, 2018**

**UPDATE ON THE CITY OF REDONDO BEACH'S APPLICATION
TO FORM AN ENHANCED INFRASTRUCTURE FINANCING
DISTRICT FOR THE AES PROPERTY
(Environmental Analyst Leeanne Singleton)**

Recommended Action:

It is recommended that City Council:

1. Receive an update from staff on the City of Redondo Beach's proposal to form an Enhanced Infrastructure Financing District (EIFD) for the AES property; and
2. Submit a letter to Los Angeles County in support of the City of Redondo Beach's application to form an EIFD to fund infrastructure projects such as parks, wetlands restoration, site clean-up, and other related public amenities.

Background:

The 50-acre property just south of the Hermosa Beach border in the City of Redondo Beach, has been used for electricity generating purposes dating back to the development of the red car line in 1902. Originally developed by Henry Huntington under the Pacific Light and Power Company, the property was acquired by Southern California Edison in 1917, redeveloped in the 1940s, and sold to Virginia-based AES Corporation in 1997. AES proposed to rebuild the site with a smaller footprint and more efficient equipment, filing an application with the California Energy Commission (CEC) in 2012.

Between 2015 and 2016, the City of Hermosa Beach engaged as an intervenor in proceedings related to the AES site providing support to Redondo Beach based on the City's shared concerns about the various impacts of a potential new power plant. During that time, Hermosa Beach staff participated in all CEC meetings related to the project including telephone participation at status conferences, monitoring the CEC's project docket, attending community workshops, and participating in joint conference calls with state agencies.

In response to State Water Resources Board regulations affecting coastal power plants that use ocean water for cooling, in addition to regulatory challenges presented by the California Energy Commission and Coastal Commission, AES has proposed to retire the power generating units by 2020. Therefore, the site is available for redevelopment and has been the subject of a marketing effort by AES to find a buyer since. Since any change in the use (other than for park and open space) would require a zoning amendment, and General Plan amendment -both subject to voter approval -

as well as California Coastal Commission approval, the site has been the subject of two public votes on development concepts with neither receiving a majority vote.

Following the second public vote, the Redondo Beach 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. In an effort to derive public benefit from the redevelopment of the site, the AES Subcommittee has recommended that the City of Redondo Beach 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, Redondo Beach 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 of Redondo Beach 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, the State legislature passed SB 628 (2014) which created a path to use tax increment financing to fund public improvements, through the formation of Enhanced Infrastructure Financing Districts (EIFD's).

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 an EIFD 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. Although the exact land uses have not yet been identified and will be subject to voter approval, these incremental revenues are expected to be generated from the private development of portions of the property in the vicinity of the AES site. 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 of Redondo Beach 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, the City of Redondo Beach has engaged a consultant to evaluate different options for funding necessary improvements through an EIFD, including 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). In exploring the formation of an EIFD, the City of Redondo Beach has preliminarily identified 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. A map of the proposed boundaries of the EIFD are provided as **Attachment 1**.
- **Potential Private Investments** - In order to provide revenues to the District that support public open space, *some level of private investment is needed on the site*, which may include a potential resort hotel and ancillary retail and restaurants. Although the exact land uses have not yet been identified and will be subject to voter approval, these incremental revenues are expected to be generated from the private development of portions of the property in the vicinity of the AES site.
- **Public Improvements Proposed** - The level and type of private investment will determine the amount of public improvements that can be financed. 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.

Analysis:

The next step for the City of Redondo Beach is to engage Los Angeles County on their possible participation in the district. 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 would become a member of a Public Financing Authority, which is the entity created to manage the EIFD.

On April 17, 2018, the Redondo Beach City Council received an update (**Attachment 2**) on the EIFD process and unanimously provided direction to staff to further engage Los Angeles County in negotiations regarding their participation in an EIFD and directing staff to submit their application to Los Angeles County's Executive Officer.

Given the close proximity of the AES site to Hermosa Beach, the City has a vested interest in how the site and surrounding properties are redeveloped in the future. The formation of an Enhanced Infrastructure Financing District by the City of Redondo Beach in partnership with Los Angeles County would provide the City and County with an effective financing mechanism to leverage funding generated from the tax increments from surrounding properties within the EIFD to provide infrastructure such as parks, wetlands restoration, site clean-up, and other related public amenities

enhancing the provision of parks and open space. By adding park land, improving water quality, and enhancing access to the coast, the formation of an EIFD will provide significant community benefits not only to Redondo Beach but the entire South Bay community. Further, these projects align with the City of Hermosa Beach's vision of a community that enjoys a high quality of life, vibrant local economy, and healthy environment and lifestyles.

It is therefore recommended that the Hermosa Beach City Council, submit a letter to Los Angeles County in support of the City of Redondo Beach's application to form an EIFD to fund infrastructure projects such as parks, wetlands restoration, site clean-up, and other related public amenities. A draft letter for City Council consideration is provided as **Attachment 3**.

Fiscal Implications:

There are no fiscal impacts associated with the recommended actions. Should more formal participation or support be requested from the City of Hermosa Beach in these efforts, there may be future costs. In accordance with city policy, these requests would return as separate formal matters for Council's consideration.

Attachments:

1. Proposed boundaries of the Redondo Enhanced Infrastructure Financing District
2. City of Redondo Beach 4.17.18 Council Agenda Report
3. Draft Letter of Support from the City of Hermosa Beach

Respectfully Submitted by: Leeanne Singleton, Environmental Analyst

Concur: Ken Robertson, Community Development Director

Noted for Fiscal Impact: Viki Copeland, Finance Director

Legal Review: Mike Jenkins, City Attorney

Approved: John Jalili, Interim City Manager