

# Smart-Growth Money

## New Funding Strategies for Community Improvements



WITH FUNDING FROM



NOVEMBER 2015



# Acknowledgements

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## **Local Government Commission**

Josh Meyer

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Menka Sethi

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## **The California Endowment**

# OUR PEOPLE



## RESUMÉ

Founded in 2006  
Over 112 projects including:  
20 housing elements  
20 development codes  
30 working waterfront projects  
17 specific and master plans in California and the U.S.

## DEGREES and CERTIFICATES

Masters of City and Regional Planning  
Masters of Business Administration  
M.S. Accountancy  
Juris Doctor  
Registered Architect  
A.I.C.P. Members  
California State Bar Member  
B.A. Economics & Marketing  
B.A. Environmental Studies  
B.A. Political Science  
B.A. Geography  
LEED Accredited Professional  
B.A. Anthropology & Government  
B.A. Environmental Planning & Design  
B.S. Architecture

# OUR CLIENTS



## NATIONAL

City of Austin  
City of Cincinnati  
City of Flagstaff  
City of Las Vegas  
City of Mesa  
City of Westerville

## CALIFORNIA

City of Arroyo Grande  
City of Atascadero  
City of Benicia  
City of Burbank  
City of Eureka  
City of Fontana  
City of Hermosa Beach  
City of Livermore  
City of Lompoc  
City of Long Beach  
City of Los Angeles  
City of Malibu  
City of Menlo Park  
City of Merced  
City of Monterey  
City of Morro Bay  
City of Ojai  
City of Pasadena  
City of Rancho Cucamonga  
City of Richmond  
City of San Luis Obispo  
City of Soledad  
City of Vallejo  
City of Tehachapi  
Alameda County  
Marin County  
Monterey County  
San Luis Obispo County  
San Mateo County Harbor District  
Port District of San Diego  
Port of Long Beach  
Port of Los Angeles  
Port San Luis Harbor District



# AWARDS



## Outstanding Planning Award for Best Practices

California American Planning Association, Central Coast Chapter, 2015 | City of Merced Bellevue Community Plan  
*Project team led by LWC*

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## Charter Award

Honorable Mention, Congress for New Urbanism, 2013 | City of Richmond Livable Corridors Plan  
*Project team led by Opticos Design, Inc.*

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## Outstanding Planning Award for Best Practices

California American Planning Association, Central Coast Chapter, 2011 | City of Grover Beach West Grand Avenue Master Plan  
*Project team led by LWC*

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## Best Public Participation/Education Program Award

Arizona American Planning Association, 2011 | City of Flagstaff Zoning Ordinance Update  
*Project team led by Opticos Design, Inc.*

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## Driehaus Form-Based Codes Award

Form-Based Code Institute, 2008 | City of Benicia Downtown Mixed Use Master Plan and Form-Based Code  
*Project team led by Opticos Design, Inc.*

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LWC

## PLANNING

**Zoning Ordinances**  
**Development Codes**  
**Form Based Codes**  
**Specific Plans**  
**Housing Elements**  
**Affordable Housing Policy**  
**Community Outreach**  
**Working Waterfronts**

## ECONOMICS

**Market Analysis**  
**Economic Analysis**  
**Development Entitlements**  
**Financial Feasibility Studies**  
**Data Collection**  
**Funding Mechanisms**

Merced Bellevue Community Plan | 2011-2014

Monterey Community Sustainability Plan | 2012-2014

San Luis Obispo Economic Development Strategic Plan | 2012

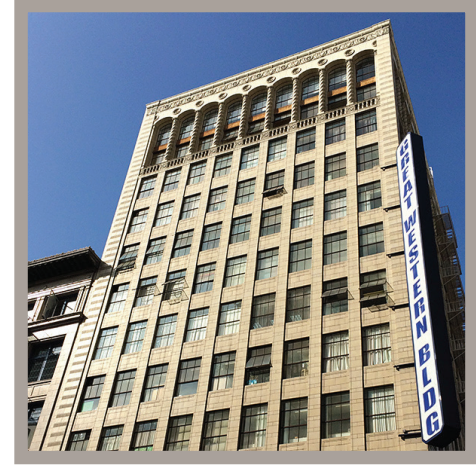
Ashland & Cherryland Business District Specific Plan | 2013-2015



SAN LUIS OBISPO



SAN FRANCISCO



LOS ANGELES

[lisawiseconsulting.com](http://lisawiseconsulting.com) | 805 595 1345



LWC

# AGENDA

- 1 Historic Perspective
- 2 Guidebook Overview
- 3 Example Strategies
- 4 New Directions



# Historic Perspective

# Proposition 13

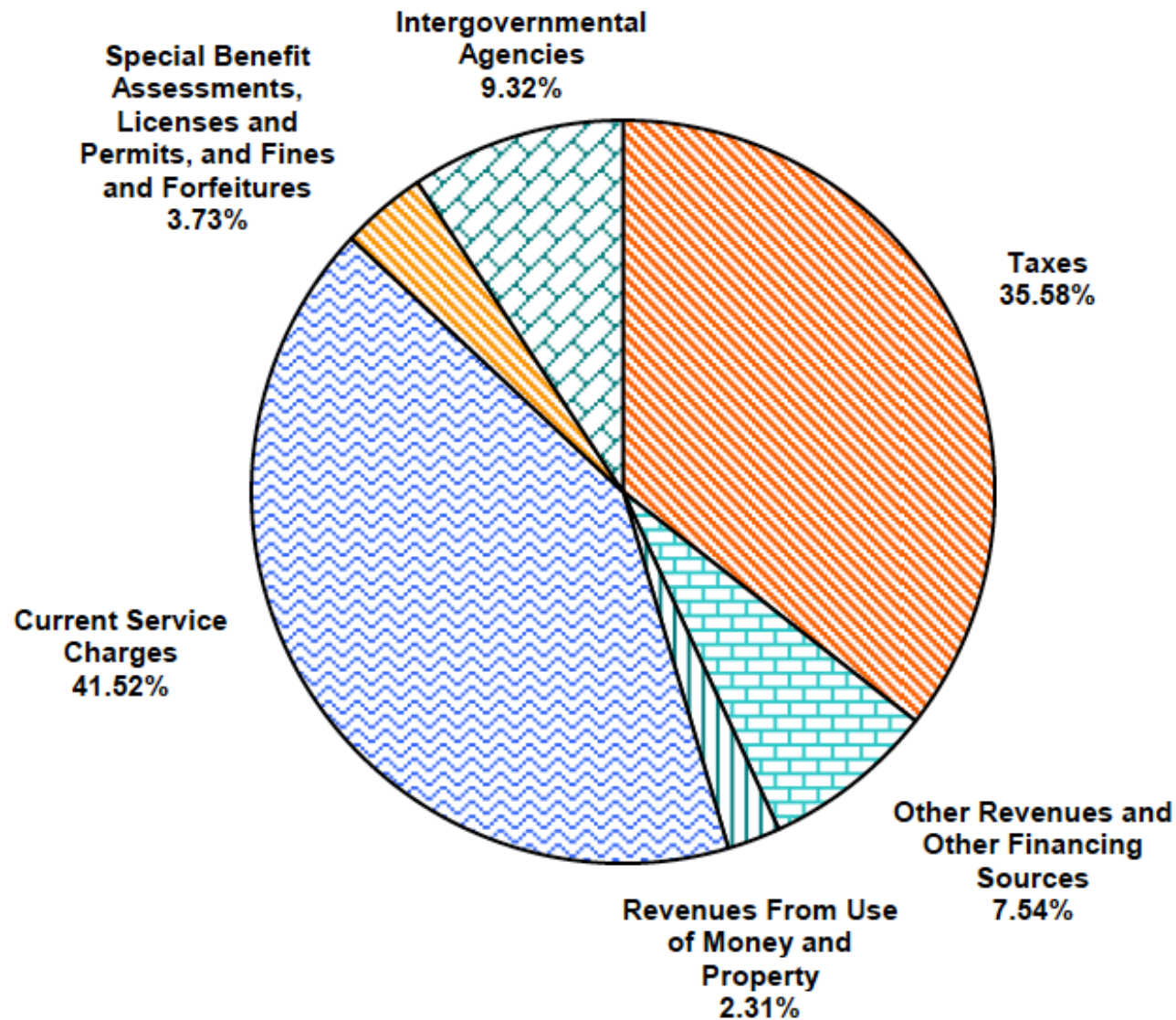
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- In 1978, Prop 13 reduced and limited the property tax base and gave the State control over the allocation of property taxes
- Property tax receipts fell by more than 60%

**Figure 2**

**Total Revenues by Source**

(Excluding the City and County of San Francisco)



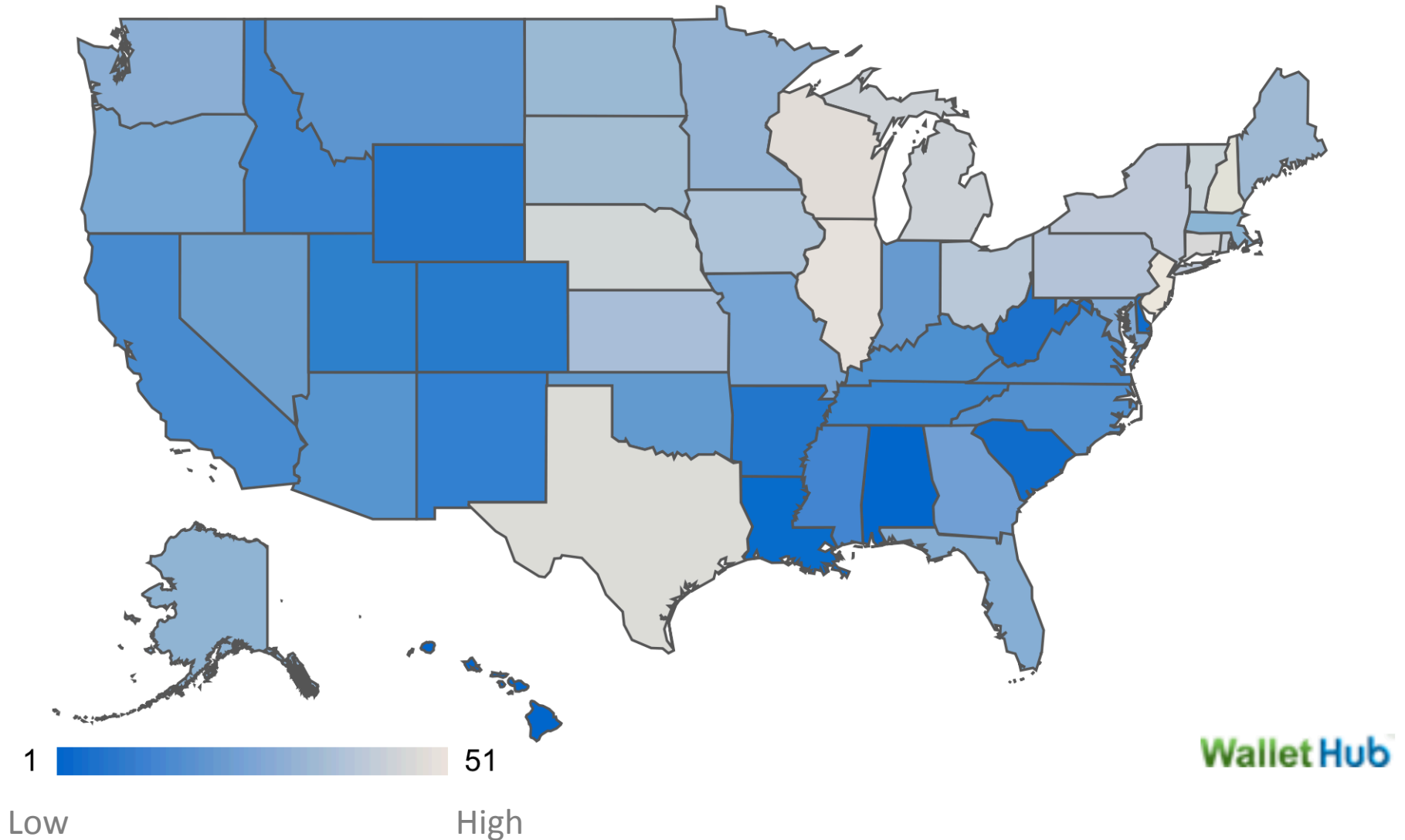
# Proportion of Revenues by Type - 2010



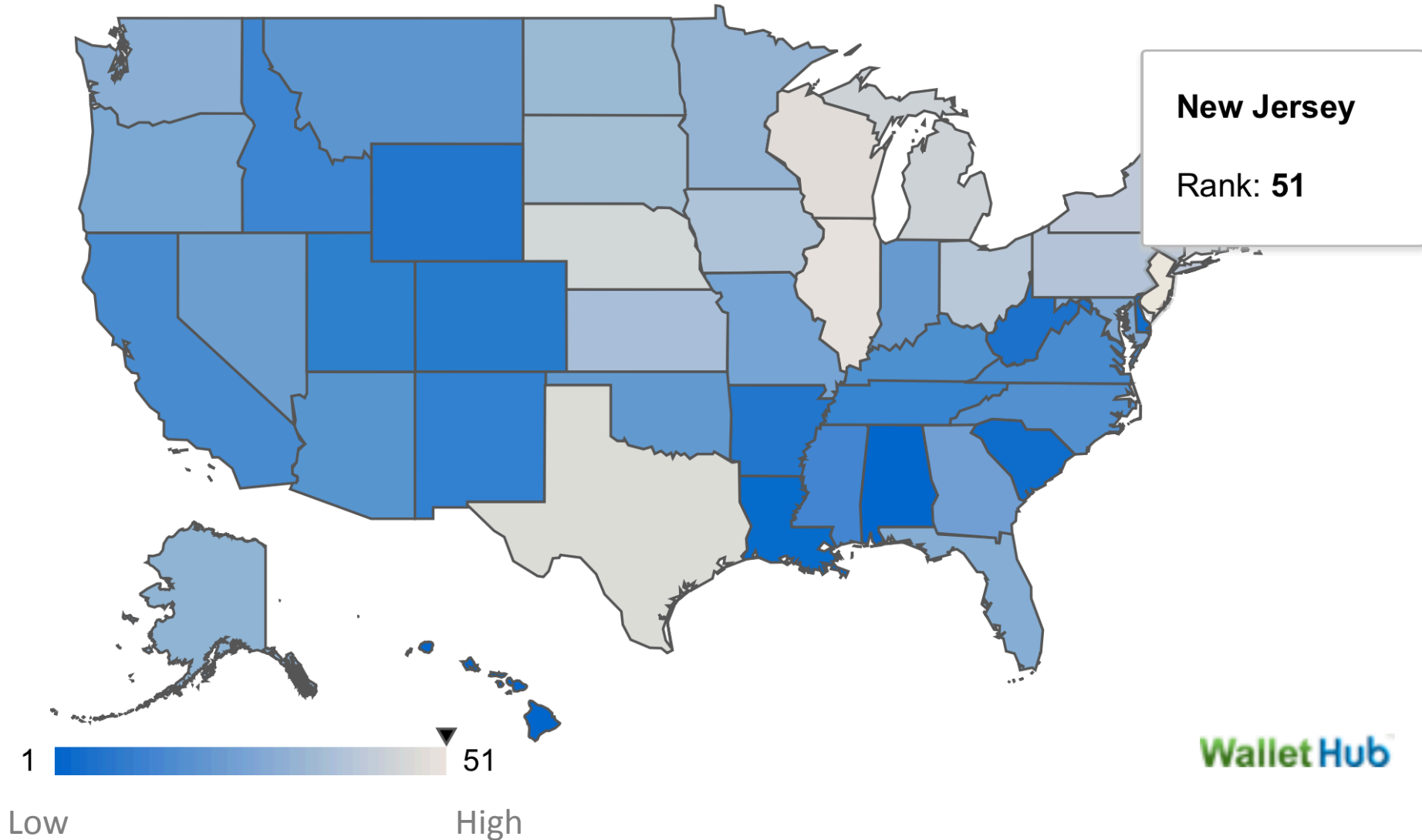


# 2015 Real Estate Tax Ratings

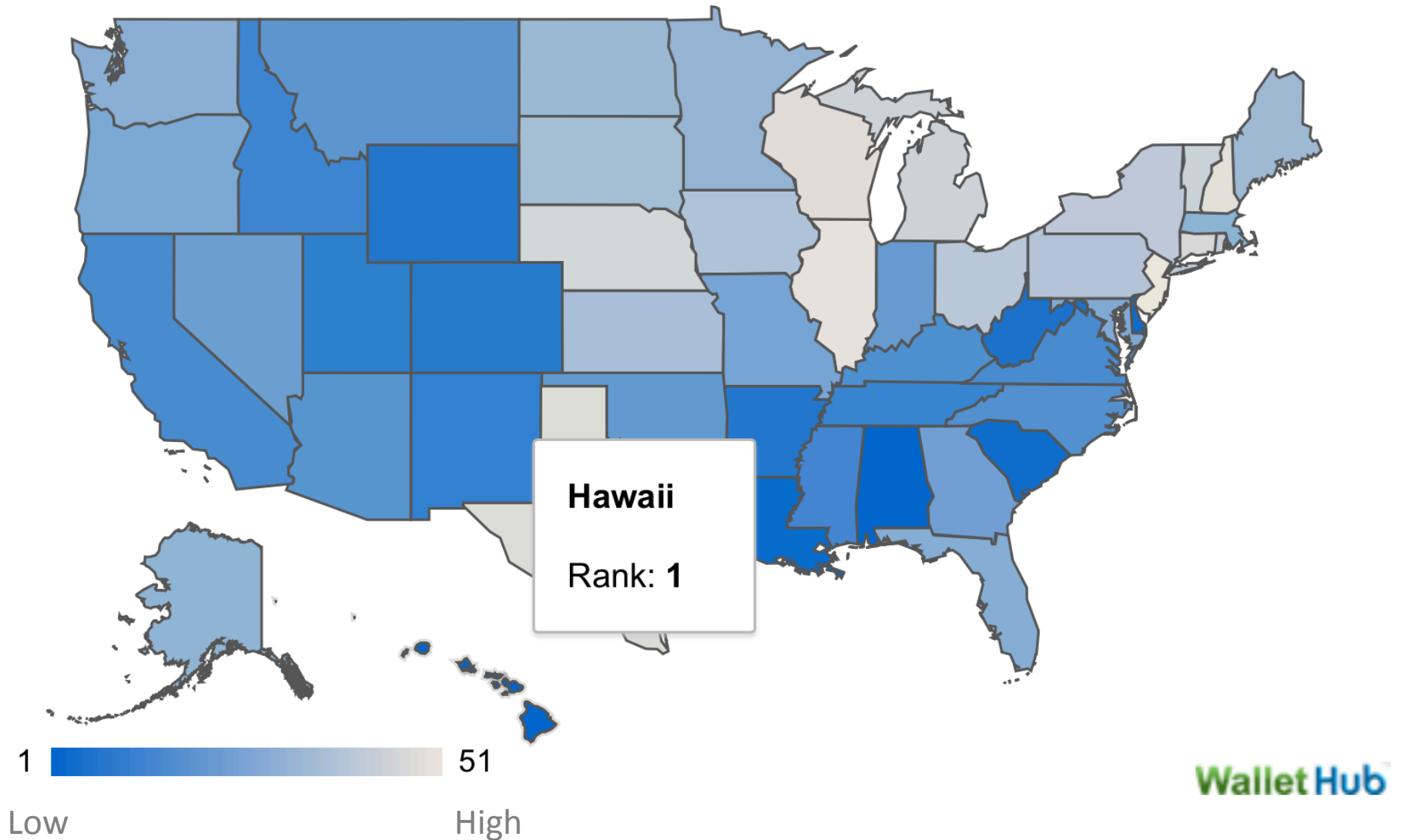
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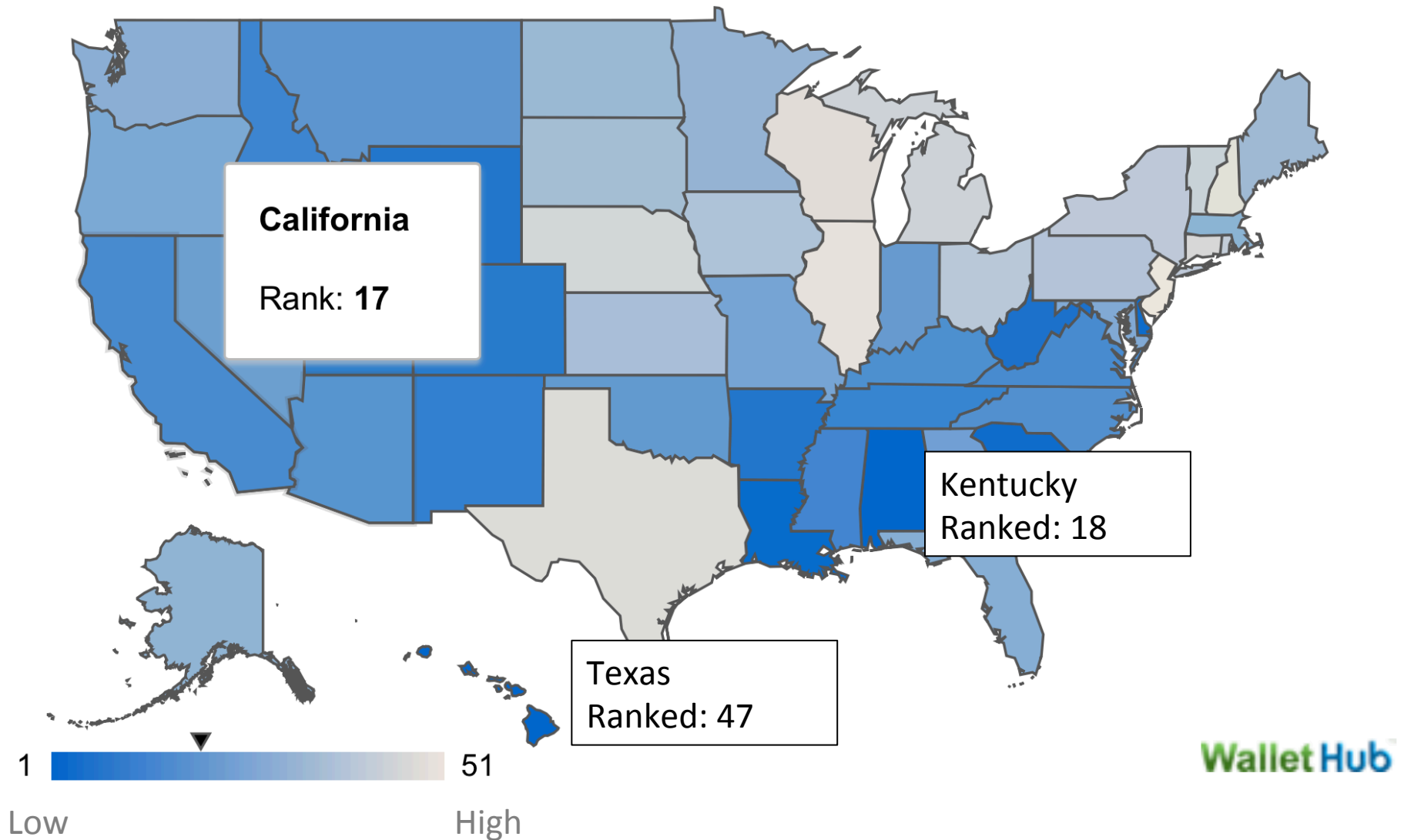
# 2015 Real Estate Tax Ratings



# 2015 Real Estate Tax Ratings



# 2015 Real Estate Tax Ratings





# Loss of Redevelopment

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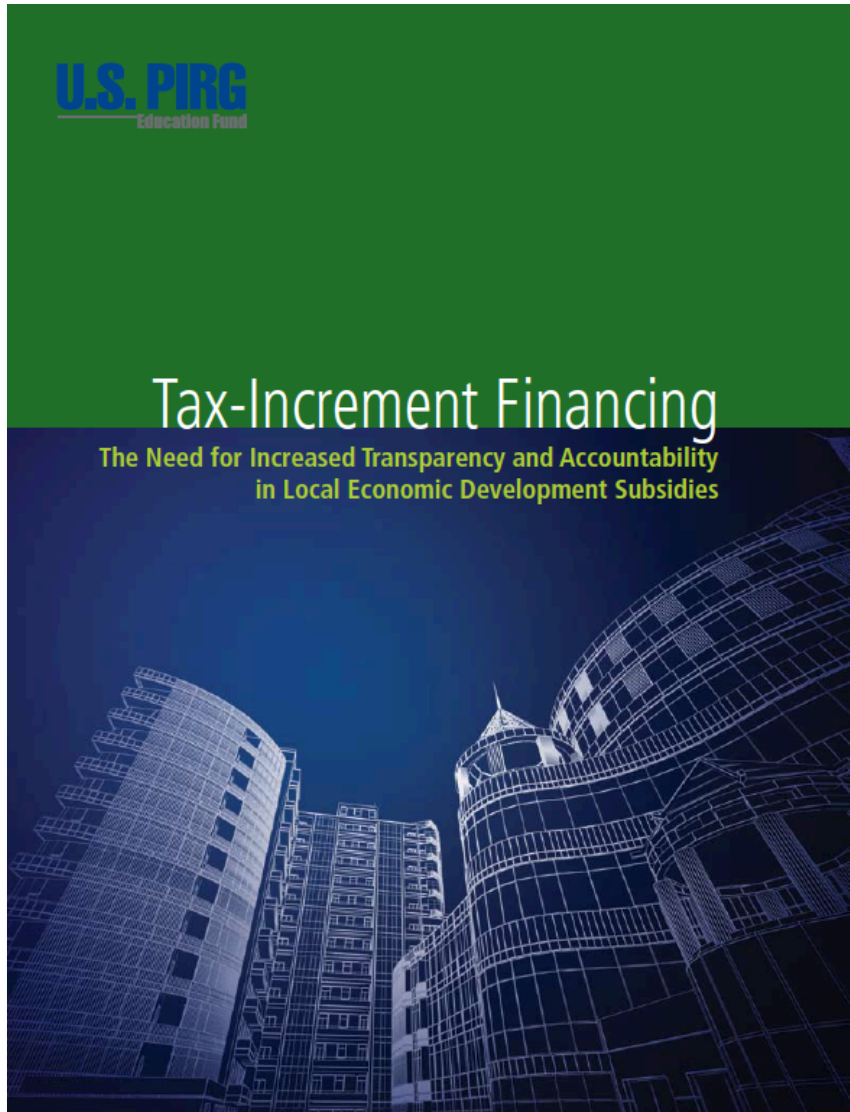
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# Loss of Redevelopment

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- 48 states have tax increment financing

# Guidebook Overview



# Guidebook Purpose

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- + Inform local leaders
- + Provide layered funding strategies
- + Achieve implementation objectives



# Guidebook Contents

## WHAT'S INSIDE



## INTRODUCTION

Getting the Money You Need .....	1
How the Guidebook Is Organized .....	2

## TOP TOOLS AND STRATEGIES

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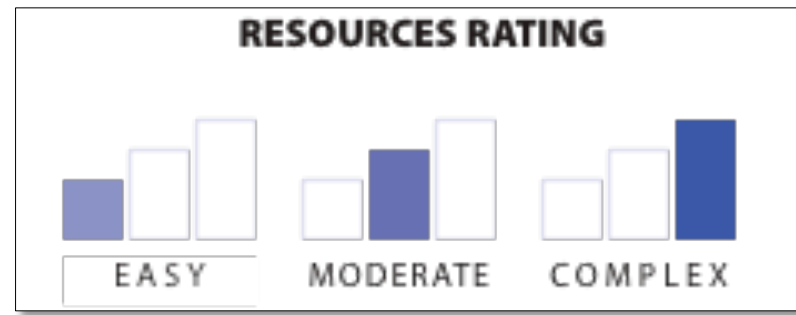
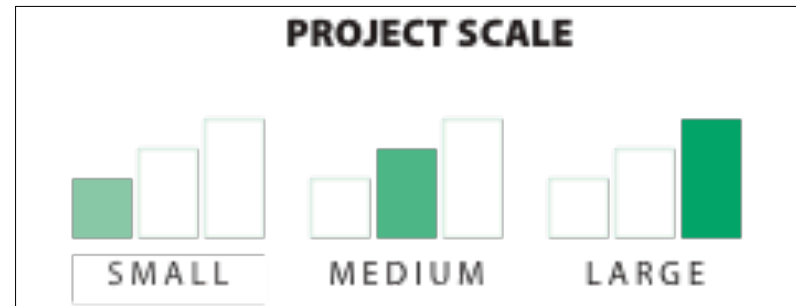
## NEW DIRECTIONS, EMERGING STRATEGIES .....

## MORE RESOURCES AND REFERENCES .....

# Methodology

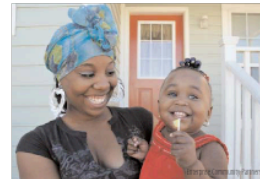
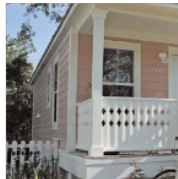
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- + Project Scale
- + Resources Rating



# Example Strategies

# Community Development Corporations (CDC)



## TOOL 2 Community Development Corporations

A Community Development Corporation (CDC) is a nonprofit, neighborhood or community-based organization that can perform a range of economic development functions typically serving lower-income residents or struggling, underserved neighborhoods.

The economic development functions that CDCs provide include creating affordable housing, real-estate development, commercial revitalization, business loans, technical assistance, job training and social services.

A CDC has a board of directors typically comprised of local residents who may be appointed by the City Council. CDCs can be funded through federal and state grants, a city's general fund, tax credits, revolving loan funds, business improvement districts (Tool 1), donations and other sources.

Three of the national intermediaries that support CDCs are the Local Initiatives Support Corporation (LISC), Enterprise Community Partners, and NeighborWorks America.

### FINANCES

Community Development Corporations are flexible in terms of what they can finance:

- ✦ Affordable housing (including new construction, homebuyer assistance and rehabilitation).
- ✦ Real-estate development (new construction, acquisition and rehabilitation, mixed-use).
- ✦ Development of community-serving uses and facilities.
- ✦ Small-business loans and assistance.
- ✦ Job-training programs.
- ✦ Educational and counseling programs.
- ✦ Facade improvements.
- ✦ Community branding and marketing events.

### PROJECT SCALE



### RESOURCES



### PARTNERS AND STAKEHOLDERS

Local residents, neighborhood groups and businesses that want to improve their community are key participants in forming a CDC. Initial CDC funding may be provided by local governmental entities or donations from small businesses and large corporations.

## TOOL 2. COMMUNITY DEVELOPMENT CORPORATIONS

### STRENGTHS AND LIMITATIONS

#### STRENGTHS

- ✦ CDCs are flexible in terms of projects and services to fund.
- ✦ CDCs offer a long-term mechanism for revitalization.
- ✦ CDCs have the ability to reuse dollars through revolving loan funds.
- ✦ CDCs can support coordinated economic-development activities.
- ✦ Additional funding resources not otherwise available – donations.

#### LIMITATIONS

- ✦ Engaged local residents, businesses and/or stakeholders are needed to initiate and form a CDC.
- ✦ Local government may have little influence over decisions (although this could also be considered a positive feature).
- ✦ Lack of qualified professionals who may consider CDC employment opportunities.
- ✦ CDCs may take more than 12 months to form.

### LEARN MORE

For more steps on how to set up a Community Development Corporation:

- ✦ Local Initiatives Support Corporation (LISC), [lisc.org](http://lisc.org)
- ✦ Enterprise Community Partners, [enterprisecommunity.com](http://enterprisecommunity.com)
- ✦ NeighborWorks America, [neighborworks.org](http://neighborworks.org)
- ✦ Community-Wealth.org, [community-wealth.org/strategies/panels/cdcs](http://community-wealth.org/strategies/panels/cdcs)



## CASE STUDIES Oakland's Fruitvale Village and The Unity Council

Fruitvale is a neighborhood district located a few miles south of downtown Oakland. Once a vibrant agricultural and canner center, Fruitvale became a distressed neighborhood, characterized by high density, high unemployment, a large percentage of households below the poverty line, and a high crime rate.

With construction begun in 1999, Fruitvale Village is now a 257,000 square-foot "transit village" connected to downtown by International Boulevard, a vibrant commercial artery with a wide variety of shops and other businesses.

The project vision was to strengthen existing community institutions and catalyze neighborhood revitalization – physically, economically and socially.

To fulfill these goals, the Unity Council (unitycouncil.org), a CDC, and its partners leveraged public and private investment to create a mixed-use development with a mix of moderate- and high-density housing, along with complementing public uses,



# CDC Case Study: Hacienda CDC

## TOOL 2. COMMUNITY DEVELOPMENT CORPORATIONS

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- ※ Community-Wealth.org, [community-wealth.org/strategies/panel/cdc](http://community-wealth.org/strategies/panel/cdc)



### CASE STUDIES

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jobs, retail and services, along the regional transit system (the village is adjacent to the BART Fruitvale station).

#### THE DEVELOPMENT'S MAJOR COMPONENTS

- ※ 47 units of mixed-income housing.
- ※ 114,000 square feet of community services (clinic, library and senior center) and office space (including the Unity Council's headquarters).
- ※ 40,000 square feet of neighborhood retail shops and restaurants.
- ※ 150-car parking garage within the buildings – plus a large parking garage for BART riders.

The Unity Council and its partners were able to obtain very substantial funding for the project, initially in the form of planning grants, and then later as grants and loans for construction.

Once basic sources of equity and other contributions were committed, Citibank sponsored the issuance of tax-exempt bonds for the balance. The variety and complexity of these funding sources was remarkable, with approximately 30 different contributors.

The planning process began in 1992, and although plans were finalized in 1999, it took an additional two years for financing to be secured. Initial project occupancy occurred in 2003.

Funding Source	Amount
<b>■ EQUITY</b>	
Federal Emergency Management Agency	\$1,045,304
Ford Foundation	\$122,000
R&R Goldman Fund	\$300,000
Levi-Strauss	\$226,881
EB&W Haas Jr Fund	\$400,000
PG&E	\$50,000
Neighborhood Reinvestment Corp.	\$100,000
National Council of La Raza (NCLR)	\$25,000
Land Proceeds	\$517,025
<b>Total-Equity</b>	<b>\$2,786,210</b>
<b>■ CITY OF OAKLAND</b>	
City EDI	\$3,300,000
Economic Development Administration Grant	\$1,380,000
Measure K Bonds (prepaid lease)	\$2,540,000
City Library (\$4.5 million prepaid lease)	\$4,900,000
Community Development Block Grant/Other	\$77,339
Environmental Protection Agency Grant	\$99,998
City-BTA Bike Station	\$400,000
Tax Increment Allocation (BI) (LISC)	\$4,000,000
<b>Total-City of Oakland</b>	<b>\$16,697,337</b>

## TOOL 2. COMMUNITY DEVELOPMENT CORPORATIONS

Funding Source	Amount
<b>■ DEPT. OF TRANSPORTATION / BART</b>	
Metropolitan Transportation Commission	\$47,121
FTA Child Development Center	\$2,300,000
FTA Pedestrian Paseo	\$780,000
FTA CMA Bike Facility	\$400,000
FTA Pedestrian Plaza	\$2,228,534
<b>Total-Dept. of Transportation/BART</b>	<b>\$5,755,655</b>
<b>■ INTEREST / MISCELLANEOUS</b>	
Interest/Other	\$643,707
Additional Bond Funds Interest/Misc.	\$176,661
<b>Total-Interest / Miscellaneous</b>	<b>\$820,368</b>
<b>■ DEBT</b>	
Unity Council FTV/Perm Loan	\$885,473
Unity Council Bridge Loan	\$911,830
NCBDC	\$750,000
City Section 108	\$3,300,000
Citibank Subordinate	\$1,400,000
City Housing Loan	\$750,000
501 (C)3 Bonds	\$19,800,000
<b>Total-Debt</b>	<b>\$27,797,303</b>
<b>TOTAL</b>	<b>\$53,856,873</b>

## NEW FUNDING STRATEGIES FOR SMART-GROWTH SUCCESS



# Social Impact Bonds

## TOOL 6 Social Impact Bonds

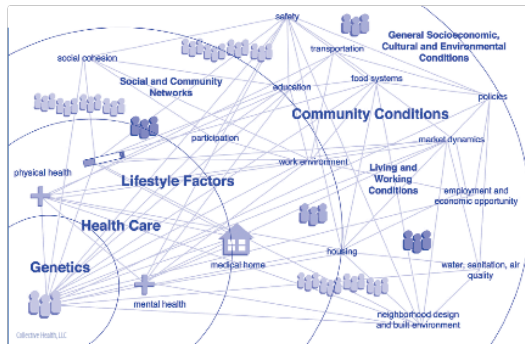
A Social Impact Bond – also known as a “Pay for Success” Bond or a “Social Benefit” Bond – is an innovative financing model where private investors supply capital for projects or programs designed to improve social outcomes and reduce government spending.

An intermediary manages the project or program, including the implementing service providers, knowing the government's target results and savings. Target results must be specific and clearly measurable.

If the targeted results are achieved, the intermediary provides a financial return to private investors, funded by government savings directly realized from the project or program.

Social impact bonds can attract new funding sources for prevention-oriented or intervention-type programs expected to deliver measurable social benefits such as improved physical health (reduced hospital costs), more successful education programs, improved housing conditions and reduced recidivism, thus saving taxpayer dollars in the process.

The potential application for health-focused impact bonds, for example, could be immense. More than three-quarters of annual U.S. healthcare costs – and 7 in 10 deaths – result from chronic diseases that are preventable. (See the Fresno case study for a discussion of the first health-specific social impact bond in the U.S.)



### PROJECT SCALE



### RESOURCES



### PARTNERS AND STAKEHOLDERS

Combination of private investors, local government and nonprofits.

### STRENGTHS AND LIMITATIONS

#### STRENGTHS

- ✱ Social impact bonds provide fiscal savings for local governments.
- ✱ These bonds leverage government funds.
- ✱ More funds are available for prevention and early intervention.

NEW FUNDING STRATEGIES FOR SMART-GROWTH SUCCESSSES



## CASE STUDIES

### Repairing Intersections in Portland

In Portland, an initiative to beautify neighborhood intersections with murals and street paintings has inspired similar projects across North America, according to the Smithsonian.

City Repair, a Portland nonprofit, works with residents to convert street intersections into public squares. Intersections remain open to cars but are transformed so that drivers move slowly and expect pedestrians.

Examples of improvements include murals, painted streets, installation of kiosks and community bulletin boards, and reconstruction of intersections with special paving materials. A group of neighbors start the idea, get their community involved, create a design, and install changes.

City Repair helps community volunteers at no charge to navigate the process, work with their neighbors, connect with skilled professionals, and raise funds. Neighbors cover the cost



A painted street in Portland's Belmont neighborhood, along with a metal sidewalk sculpture that reiterates the design.

of project expenses, such as paint and materials. City Repair also helps the group meet City requirements.

The City of Portland allows for intersection-repair paintings by ordinance and offers tips on painting logistics: [cityrepair.org/about/howto/placemaking/intersectionrepair](http://cityrepair.org/about/howto/placemaking/intersectionrepair)

### Random Acts of DIY Results

There is no shortage of success stories to illustrate the potent connection between tactical urbanism and the ability to attract funding or get a good idea implemented permanently. The Smithsonian offers quick snapshots of other projects where do-it-yourselfers have taken their ideas to the streets, literally.

A graduate student walked around downtown Raleigh one night hanging homemade signs on light posts and telephone

poles that had arrows pointing the way to popular downtown destinations, along with average walking times – an act he labeled “guerrilla wayfinding” to promote more walkable places.

A concerned resident painted a crosswalk on a busy street in Baltimore when City officials failed to do so. To make Toronto more wheelchair accessible, a group of volunteers installed colored ramps at more than 400 storefronts.

“PARK(ing) Day” is now held every September in hundreds of cities on six continents, with artists and citizens uniting to transform parking spots into mini-parks.

DIY fixes can lead to long-term, funded solutions.

The guerrilla way-finding signs eventually encouraged the City of Raleigh to adopt a new pedestrian plan, and install more official, permanent signs like the pop-up posters.

Baltimore officials heard about the pop-up pedestrian solution in their town, and responded by adding two stop signs and three official crosswalks in its place.

In Memphis, a temporary beer garden at an abandoned brewery was such a hit it attracted private investment – a developer is going to revitalize the historic site into vibrant mixed-use space.



NEW FUNDING STRATEGIES FOR SMART-GROWTH SUCCESSSES

# Social Impact Bonds Case Study: Richmond

## TOOL 6. SOCIAL IMPACT BONDS



### CASE STUDIES

#### Richmond Targets “Zombie” Blight with Social Impact Bonds

In June 2015, the Richmond City Council voted to issue up to \$3 million in social impact bonds to purchase, rehabilitate and sell blighted properties.

The effort targets “zombie properties” — those that the private sector has walked away from because they are so dilapidated and distressed that it is cost-prohibitive to undertake rehabilitation. There are an estimated 1,000 boarded-up, abandoned houses in Richmond, and each one costs the City about \$7,000 annually in clean-up and police response to crime — amounting to about \$7 million citywide each year.



The Richmond Community Foundation is facilitating the program from acquisition to sale of the properties. Local contractors will be sought to perform the renovation work and hire workers through the City's RichmondBUILd job-training program — helping to keep money and employment opportunities in the community.

Families participating in SparkPoint Contra Costa, a financial literacy program, will be given the first opportunity to purchase the homes through SparkPoint's First Time Home Buyer program, which helps remove barriers for middle- and low-income potential homebuyers through counseling, improved access to resources and financial advice.

City revenues will not be used, and the bonds are paid solely from the revenues generated from the sale of the rehabilitated houses. The bonds are intended for social-impact investors less concerned with maximizing risk-adjusted returns than in using their capital for public benefit.



“This program will accomplish the important task of acquiring and rehabilitating distressed homes in order to improve neighborhoods and provide safer and more affordable housing for Richmond residents,” said Mayor Tom Butt. “The City will, as a whole, benefit from the practice of social-impact investing because the bonds are paid solely from the revenues generated from the sale of the rehabilitated properties.”

The program was originally proposed by John Knox of Omick, Hemmington & Sutcliffe, LLP, who is providing pro bono legal support for the project. Home Depot has also recently agreed to provide assistance to the program.

The Richmond bond is a great example of cross-sector collaboration in which private for-profit companies, governments and nonprofits join forces to tackle stubborn social problems.

- ✱ Potential benefits make the bond politically attractive.
- ✱ A third-party investor bears the risk.
- ✱ Independent evaluation improves transparency in government spending.
- ✱ Investors and servicers have an incentive to be as effective as possible. The bigger impact, the larger the repayment they will receive.
- ✱ Ongoing evaluation of program impacts accelerates the rate of learning about effective approaches.
- ✱ These bonds help reposition government spending toward programs and approaches that work.

#### LIMITATIONS

- ✱ Social impact bonds are an expensive method of operating social programs.
- ✱ These bonds reduce public responsibility for social services.
- ✱ The community may not want certain investor and donor influences over local social programs.

- ✱ Donors will seek to fund programs that can be more easily observed and measured. More complex structural problems — harder to quantify — may be unable to access these funds. Thus, the terms of these instruments may be set to overpay for more readily achievable goals. And long-term problems are not financed.

#### OTHER METRICS

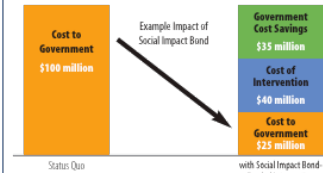
Fiscal savings that result from successful and efficient programs.

#### LEARN MORE

To learn more about using social impact bonds in your city:

- ✱ Center for American Progress, [cdn.americanprogress.org/wp-content/uploads/issues/2011/02/pdf/social\\_impact\\_bonds.pdf](http://cdn.americanprogress.org/wp-content/uploads/issues/2011/02/pdf/social_impact_bonds.pdf)
- ✱ Social Finance, [socialfinanceus.org/sites/socialfinanceus.org/files/small.SocialFinanceWPSingleFINAL.pdf](http://socialfinanceus.org/sites/socialfinanceus.org/files/small.SocialFinanceWPSingleFINAL.pdf)

#### Social impact bonds can change the equation



Social Finance US, Ken Harding, “Social Impact Bonds Are Saving Money,” Forbes, 10/15/14.

*“I’m excited about the opportunity to build public health and prevention into an economic model.”*

*— U.S. EPA Administrator Gina McCarthy*

## TOOL 6. SOCIAL IMPACT BONDS



# New Directions + Emerging Strategies

# New Directions + Emerging Strategies

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- Tax- and Revenue-Sharing
- High Speed Rail
- Fees on Insurance
- Land Value Tax



# Questions + Comments

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# Thank you!



Local Government Commission



Lisa Wise Consulting, Inc.



California Endowment