

Smart-Growth Money

New Funding Strategies for Community Improvements



Local
Government
Commission



WITH FUNDING FROM



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Acknowledgements



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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

Charter Award

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

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

Best Public Participation/Education Program Award

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

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.

LWC

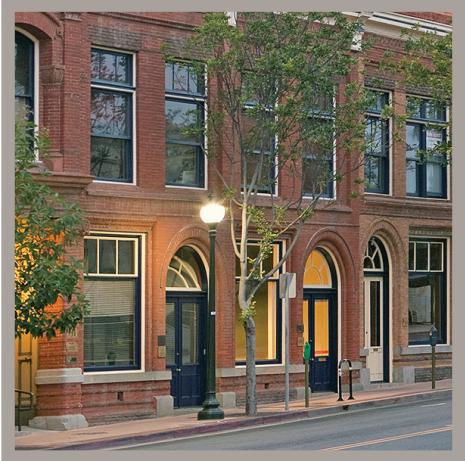


Merced Bellevue Community Plan | 2011-2014

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

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LWC

AGENDA

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

Historic Perspective

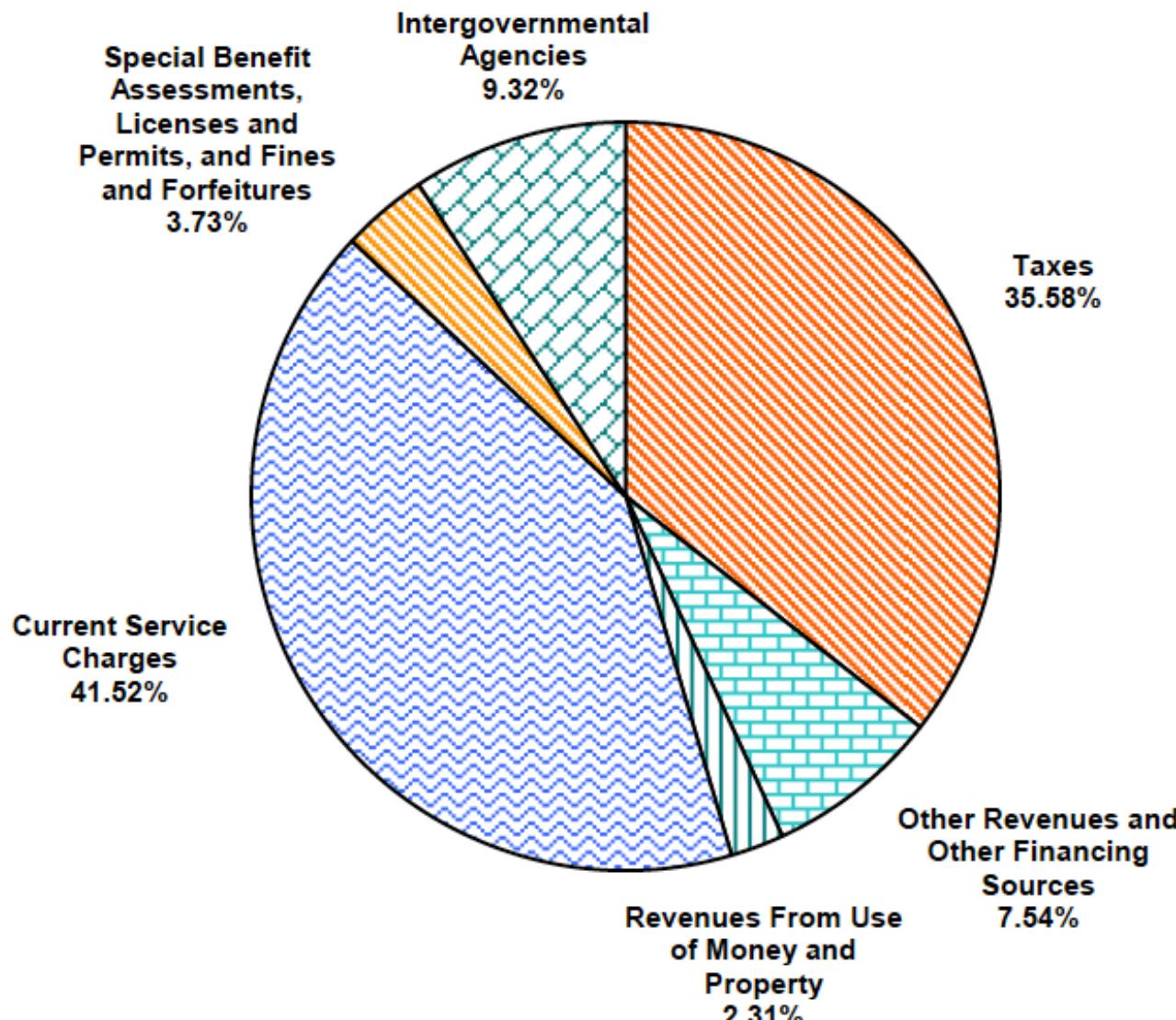
Proposition 13

- 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

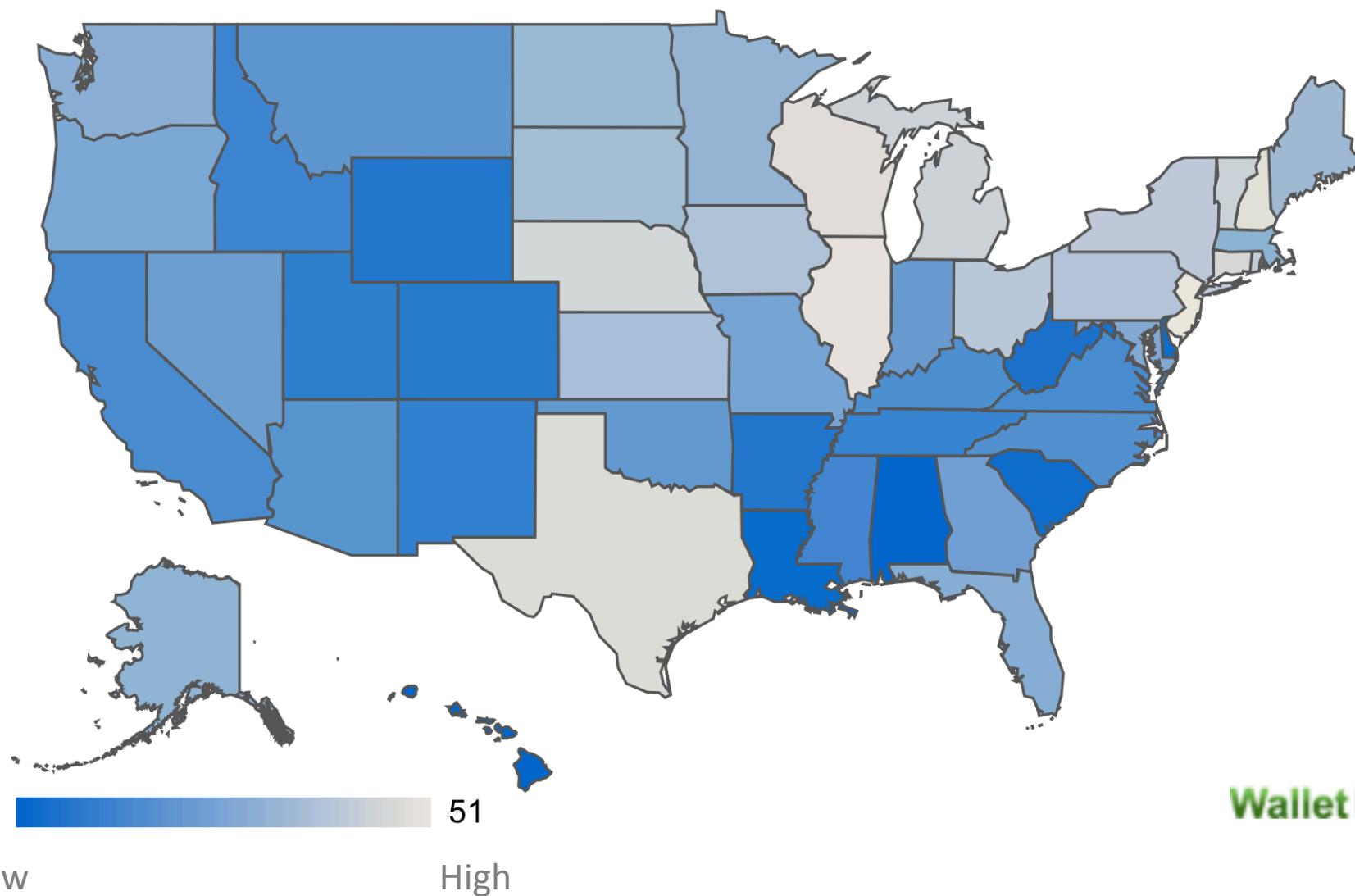
(Excluding the City and County of San Francisco)



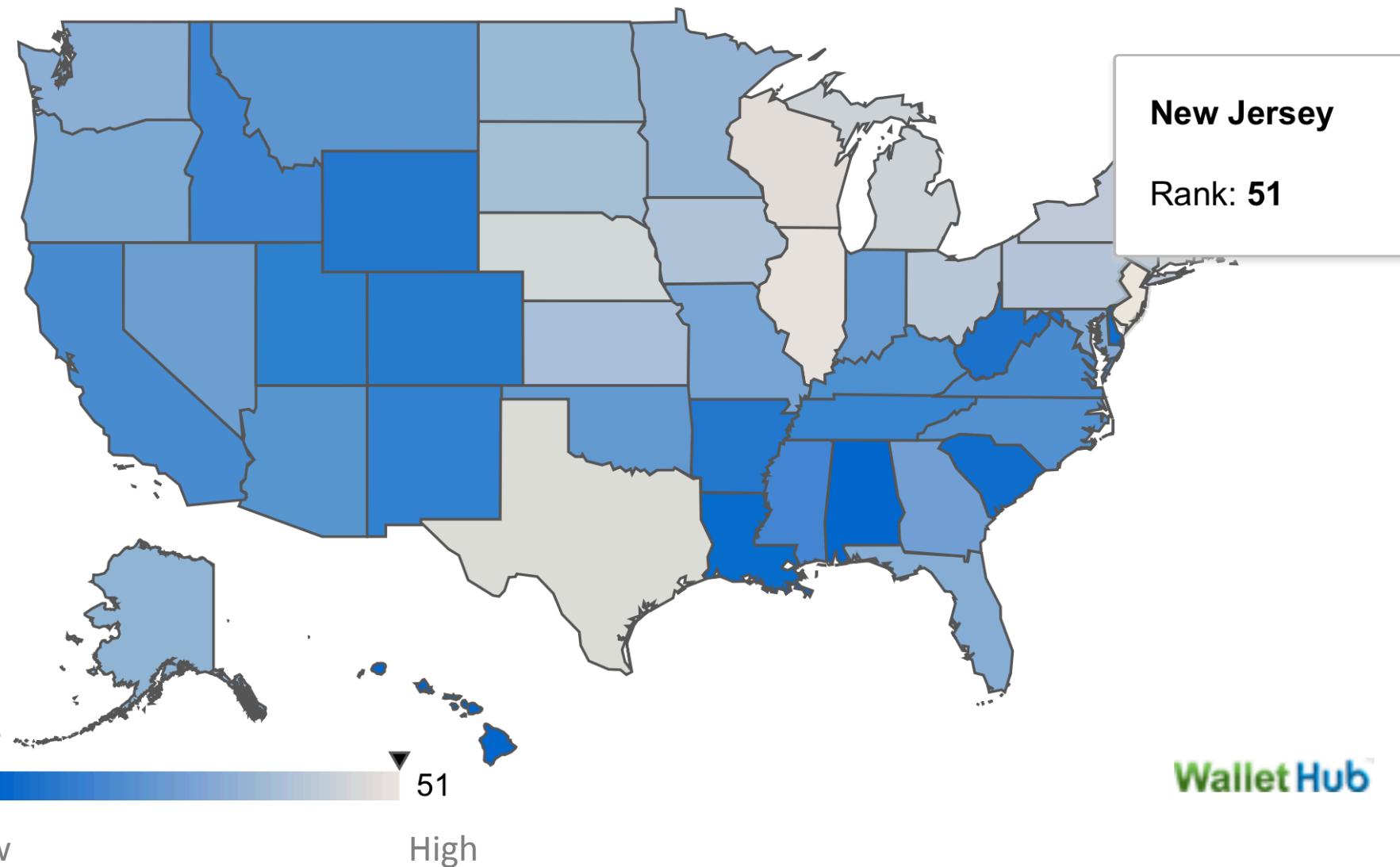
Proportion of Revenues by Type - 2010



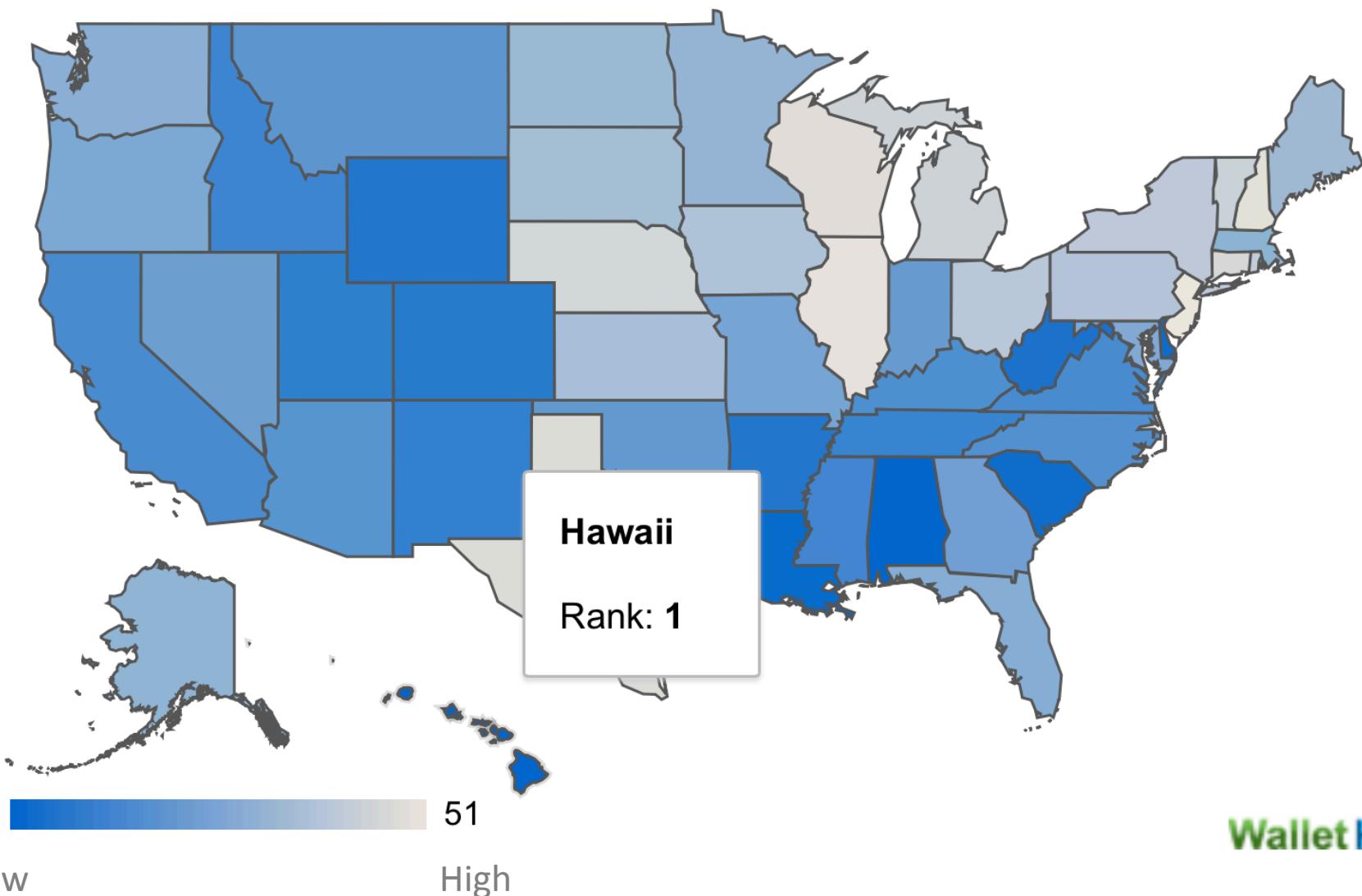
2015 Real Estate Tax Ratings



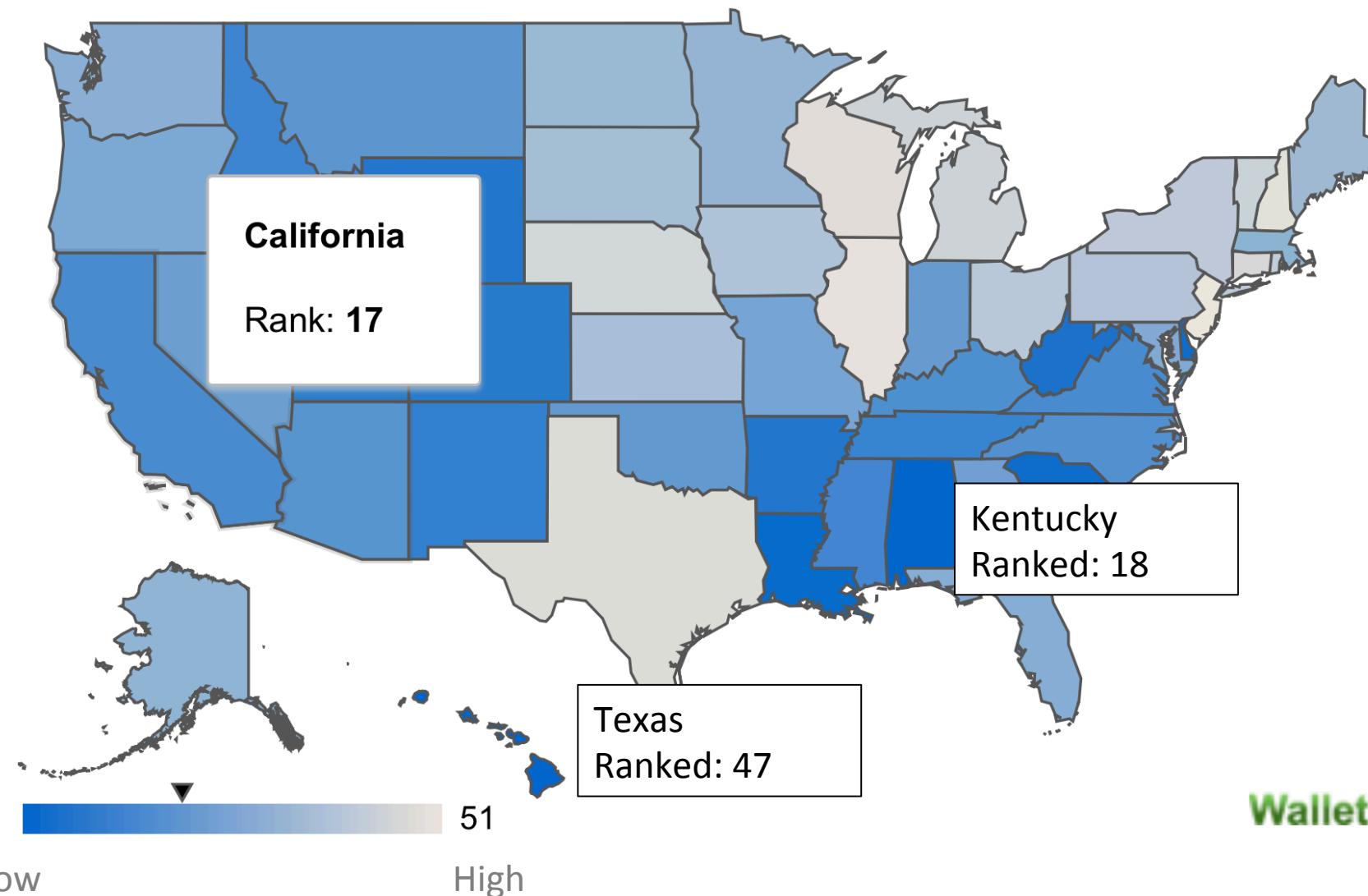
2015 Real Estate Tax Ratings



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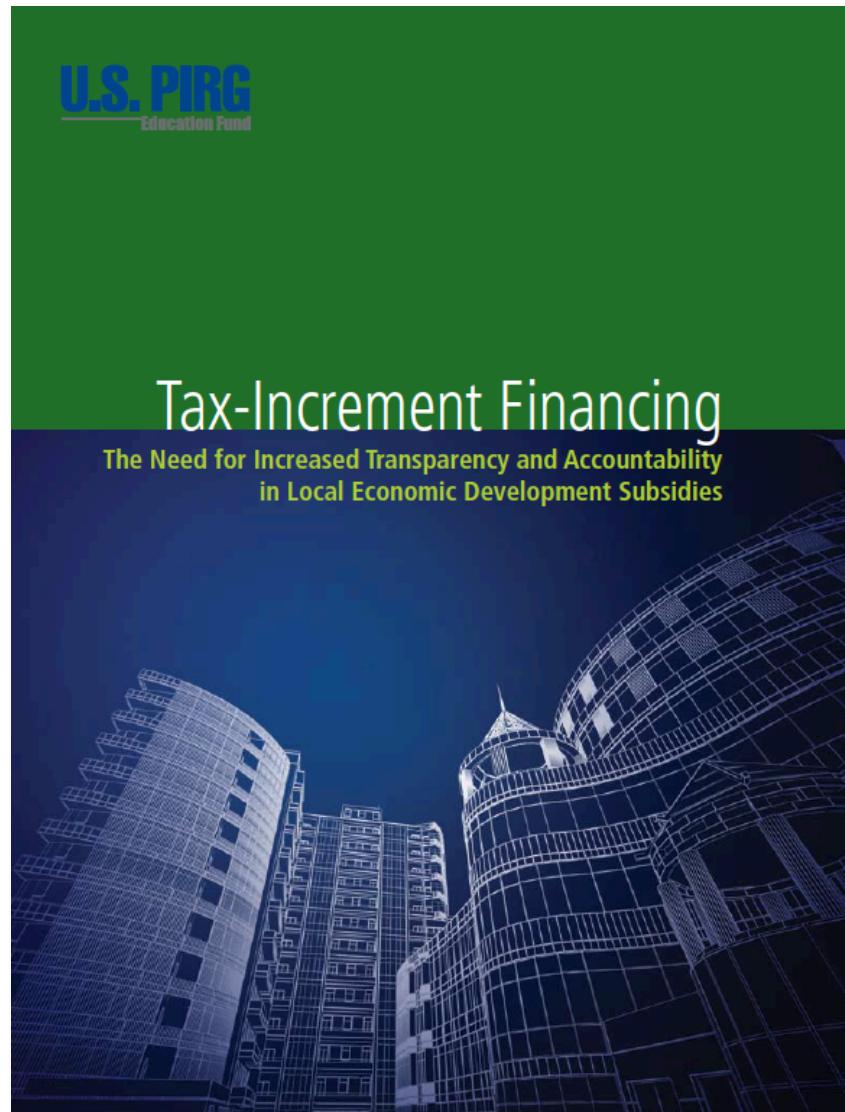
Loss of Redevelopment



Loss of Redevelopment



Loss of Redevelopment



- 48 states have tax increment financing

Guidebook Overview

Guidebook Purpose

- + 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

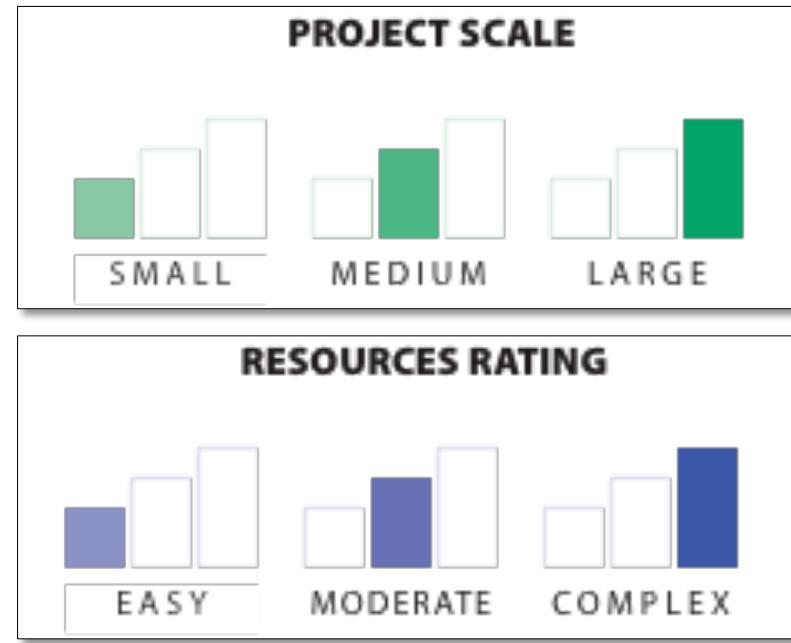
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Methodology

- + 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.

NEW FUNDING STRATEGIES FOR SMART-GROWTH SUCCESSES

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.
- ⌘ Façade 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
- ⌘ Enterprise Community Partners, enterprisecommunity.com
- ⌘ NeighborWorks America, neighborworks.org
- ⌘ Community-Wealth.org, community-wealth.org/strategies/panel/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 canning 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,

NEW FUNDING STRATEGIES FOR SMART-GROWTH SUCCESSES

CDC Case Study: Hacienda CDC

TOOL 2. COMMUNITY DEVELOPMENT CORPORATION

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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.

NEW FUNDING STRATEGIES FOR SMART-GROWTH SUCCESSES

TOOL 2. COMMUNITY DEVELOPMENT CORPORATIONS

Funding Source

DEPT. OF TRANSPORTATION / BART

	Amount
Federal Emergency Management Agency	\$1,045,304
Ford Foundation	\$122,000
R&R Goldman Fund	\$300,000
Levi-Strauss	\$226,881
E&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
Total-Equity	\$2,786,210

CITY OF OAKLAND

	Amount
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 (B) (LISC)	\$4,000,000
Total-City of Oakland	\$16,697,337

DEBT

	Amount
Unity Council FTV/Perm Loan	\$885,473
Unity Council Bridge Loan	\$911,830
NCBDC	\$750,000
City Section 10B	\$3,300,000
Citibank Subordinate	\$1,400,000
City Housing Loan	\$750,000
501 (C)3 Bonds	\$19,800,000
Total-Debt	\$27,797,303

TOTAL

\$53,856,873

NEW FUNDING STRATEGIES FOR SMART-GROWTH SUCCESSES

Social Impact Bonds

TOOL 6 Social Impact Bonds

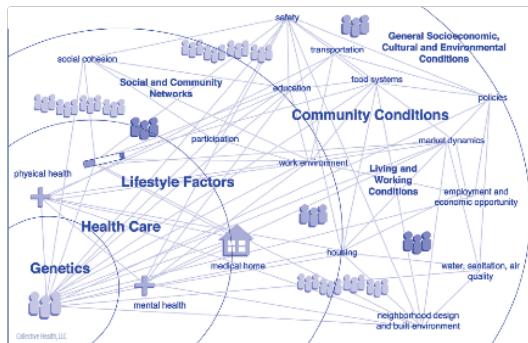
ASocial Impact Bond – also known as a “Pay for Success” Bond or a “Social Benefit” Bond – is an innovative financing model where private investors supply capital for projects or programs designed to improve social outcomes and reduce government spending.

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

LARGE

RESOURCES

COMPLEX

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.

FINANCES

Wide range of social issues, including homelessness and recidivism.

NEW FUNDING STRATEGIES FOR SMART-GROWTH SUCCESSES



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 spaces. 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

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

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.

“REPAIR(k)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.



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NEW FUNDING STRATEGIES FOR SMART-GROWTH SUCCESSES

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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, Hennington & 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 service providers 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.

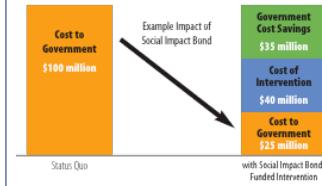
LEARN MORE

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
- ★ Social Finance, socialfinanceus.org/sites/socialfinanceus.org/files/small/SocialFinanceWPSingleFINAL.pdf

NEW FUNDING STRATEGIES FOR SMART-GROWTH SUCCESSES

Social impact bonds can change the equation



NEW FUNDING STRATEGIES FOR SMART-GROWTH SUCCESSES

"I'm excited about the opportunity to build public health and prevention into an economic model."

– U.S. EPA Administrator Gina McCarthy



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New Directions + Emerging Strategies

New Directions + Emerging Strategies

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



Questions + Comments

Thank you!



Local Government Commission



Lisa Wise Consulting, Inc.



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