Funding and Creating Climate Resilience Districts

Presented by:
Geoff Neill, Senior Legislative Advocate
Nielsen Merksamer Parrinello Gross & Leoni, LLP

Climate Resilience District Overview

- Authorized by SB 852 (Dodd, 2022)
- CRDs give local agencies a method to address the local effects of climate change
- Created by local agencies for local priorities
- Funding sources include tax increment financing

Tax Increment Financing (TIF) Defined

- TIF is the increase in property tax revenue in an area
- Property tax revenues to affected taxing entities are frozen
- The increase in property tax revenues from participating agencies—the increment—is allocated to the district using TIF
  - The increment starts small and grows considerably over time
- Bonds sold based on expected revenues over 30-45 years
- Appropriate uses include capital projects that increase property values and last at least the length of the bond payments
- Property tax revenues are then returned, at their increased level, to participating taxing entities

Tax Increment Financing: A Short History

- Then: Community Redevelopment Agencies
  - Broad powers to redevelop blighted areas, including capturing tax increment without agencies' permission & selling bonds without a vote
  - When used well, had the power to transform communities
  - Dissolved 11 years ago today amid considerably controversy
- Now: Enhanced Infrastructure Financing Districts
  - Finance capital projects that provide significant benefits to the community with a useful life of 15 years or more
  - Cannot use school share of tax increment, and must get permission to use other agencies' shares; bonds subject to protest
  - May not use funds for maintenance, ongoing operations, or services
- In short, EIFDs are like CRAs, but with fewer powers

CRDs vs. EIFDs – Funding

- CRDs are EIFDs with extra financing powers but more limited purposes
- EIFDs are limited to three possible funding sources:
  - Tax increment financing (non-schools, with permission)
  - Revenue from infrastructure projects, like user fees
  - A share of the local sales tax
- CRDs have additional possible funding sources:
  - Benefit assessments (charge proportional to benefit)
  - Special taxes (2/3 vote, for specified purposes)
  - Property-related fees (50% of property owners or 2/3 of voters)
  - Gifts, fees, and grants from public and private entities
  - Service charges (to cover the cost of providing a specific service)
- Unlike EIFDs, CRDs can issue revenue and GO bonds

CRDs vs. EIFDs – Purposes

- CRDs are EIFDs with extra financing powers but more limited purposes
- EIFDs can fund capital projects that provide significant benefits to the community with a useful life of 15+ years
  - This includes climate resilience projects, but is much broader
- CRDs can fund projects and operating expenses that address climate change mitigation, adaption, or resilience, including sea level rise, extreme heat and cold, drought, wildfire risk, and flooding risk
  - Priority for projects that use natural infrastructure or that address the needs of under-resourced or vulnerable communities
  - Revenues other than TIF can fund some non-capital expenses

Climate Resilience District Projects

- Examples of eligible projects:
  - Wetlands restoration, levees, living shorelines
  - Cool buildings and pavements, increased shade
  - Facilities to address extreme cold, rain, or snow
  - Fire breaks, prescribed burns, fire hardening
  - Groundwater replenishment, water storage
  - Flood easements and bypasses, structure elevation

Climate Resilience District Creation

- A local agency adopts a resolution stating the intention to establish a district along with its boundaries, project types, the need for it, and the goals it proposes to achieve
- Creates a governing board (public financing authority) of local agency board members and public members
- Public hearing required
- Adopt a resolution providing for the division of taxes

Thank you.

Geoff Neill

(916) 446-6752

gneill@nmgovlaw.com