



8.0 Financial Plan

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The financing plan generally identifies methods of financing available to the City of Whittier and Whittier Redevelopment Agency for funding improvements to both public and private land detailed in the Whittier Boulevard Specific Plan. The financing plan does not attempt to detail all public and private cost associated with implementation and tie those costs directly to specific funding sources. Completing this task would require detailed engineering, timing, funding, and priority estimates that would be outdated by the time funding becomes available. Rather, the financing plan discusses the feasibility of each method for those projects and programs discussed in the Whittier Boulevard Specific Plan and, in some cases, simply identifies a potential funding source.

Particular emphasis is placed on the public infrastructure improvements. These improvements will help achieve one of the primary goals of the Specific Plan, which is to stimulate private investment within the boundaries of the Specific Plan. In many cases, private investment will follow only after investors perceive a commitment to rehabilitate the Boulevard on the part of the City and Caltrans. Certain momentum can be generated by capital infrastructure improvements completed by the City and Caltrans. Subsequently, interest from the private sector can be channeled into the Specific Plan area by utilizing Public/Private partnerships forged between the City/Agency and individual property owners for mutually beneficial development projects. Partnerships are required in many cases because property owners are unwilling to pour dollars into a project that is not considered financially feasible. Both public and private entities must determine their extent of financial commitment by evaluating whether or not project costs will be recovered by increased revenue.

The financing section is separated into two sections: 1) Funding Source Secured to Date, and 2) Potential Future Funding Sources. Although certain funds secured by the City are itemized in this section, use of the funds will be at the sole discretion of the City Council. Therefore, this financing section should not be construed as firmly directing the use of funds for specific purposes but rather as a listing of available or potentially available funds that could be used for improvement costs on a case-by-case basis by the City Council. Additionally, it is important to note that some of the funding sources identified below merely require a decision by the City Council, while others require the involvement and in some cases a vote of property/business owners.

8.1 *Cost Estimates and Funding Summary*

a. Cost Estimates for Public Infrastructure Improvements

The City of Whittier has prepared several generalized cost estimates for the implementation of public improvements identified in the Whittier Boulevard Specific Plan. The costs itemized below are all inclusive “turn-key” numbers that total costs of installed infrastructure. Improvements include the rehabilitation of streets, new curbs, gutters and sidewalks, traffic signals, street lighting, pedestrian amenities, landscaping, signage and traffic circulation improvements. The City estimated the total cost of \$13.22 million for these improvements for that portion of Whittier Boulevard from Broadway on the west to Painter Avenue on the East, as well as, a portion Washington Boulevard from its intersection with Whittier Boulevard on the north to Lambert Road to the south. The Washington Boulevard section is outside the Specific Plan Area. The \$13.22 million discussed above will provide funding for public works improvements along just over one-third of the Whittier Boulevard Specific Plan Area encompassing the Gateway Segment, Workplace District, and the Shopping Cluster.

Improvements to the remaining two-thirds of the Specific Plan Area between Painter Avenue on the west and Valley Home Avenue on the east are estimated to total \$18.76 million for a grand total of \$31.98 million.

However, the improvements will not likely take place all at once. To generally account for this fact the plan assumes that the infrastructure cost will be spread over a 10-year period with an inflation factor of two percent per year. A contingency amount totaling five percent annually has also been added to the annual cost. These additional factors increase the total 10-year cost to an estimated \$36.77 million for infrastructure alone. The annual costs range from \$3.36 million in year one to \$4.01 million in year 10.

b. Cost Estimates for Other Programs and Projects Identified

In addition to the installation of new infrastructure, the Specific Plan calls for certain other actions by the City to begin implementation of the Specific Plan. These programs and projects are discussed in the capital improvements section of the Specific Plan and include, among other items, funding for both a business recruitment program and residential

demonstration project(s). The funding of each of these programs will likely vary considerably depending on timing, available resources, and year-to-year priorities of the City Council. For this reason, no specific estimates of costs have been provided herein. However, it is estimated that these activities grouped together may range in annual cost from \$50,000 to \$500,000.

8.2 Summary of Funding Sources

As detailed in the below text, the City received a total of \$5.5 million from the Section 108 loan (loan anticipated to be approved), \$750,000 from the BEDI grant (though these funds are intended to pay interest and some pre-development cost of the Section 108 loan), and another \$7.72 million of funding may come from transportation or Redevelopment Agency funds. Additionally, it is estimated that the Whittier Redevelopment Agency could issue Tax Allocation Bonds for the Whittier Commercial Corridor Redevelopment Project Area (WCCPA) in the amount of \$4.8 million that would net the Agency \$4.25 million in fiscal year 2004-05. Another \$2 million could potentially be available from Caltrans as part of the relinquishment of Whittier Boulevard. Lastly, some funds may be available from California Gas Tax Funds and LA County Propositions A and C. Assuming that there is not overlap in the \$4.25 million and \$7.72 million, the identified funding sources total between \$17.47 and \$20.22 million that, at the discretion of the City Council, may be made available for implementation of the Specific Plan. The range is given because, at this time, funding from Caltrans is unknown and a large portion of the BEDI grant will be used to cover interest on the Section 108 loan.

a. Funding Sources Secured to Date

1) Redevelopment/Tax Increment

One of the tools available to a redevelopment agency is property tax increment financing, which can be used for a variety of purposes, including but not limited to, construction of off-site improvements such as infrastructure and parking, land acquisition and assembly, payment of City permits, fees, costs, and commercial rehabilitation loans and grants.

Tax increment is generally defined as the portion of ad valorem property taxes generated within a redevelopment project area by increases in assessed valuation of the project area over the frozen base year assessed value established at the time of adoption of the redevelopment plan. For projects adopted in 1994 or later, increased property tax revenues above the frozen base (tax increments) are shared by redevelopment agencies

and all other tax entities pursuant to a state mandated tax sharing formula (Health and Safety Code Section 33607.5). Projects adopted prior to 1994, may share tax increment revenue with affected taxing entities if “pass-through” agreements were executed during the adoption of the redevelopment project area.

Tax increment is one of the most reliable funding sources of those available and can effectively be used to leverage private investment in a Project Area. The funds can be used to issue Tax Allocation Bonds for a lump sum funding engine for improvements or can be used on a “pay-as you-go” basis.

Whittier Boulevard Specific Plan (WBSP) Area includes portions of all four of the Whittier Redevelopment Agency’s Redevelopment Project Areas including: Whittier Commercial Corridor Project Area, Greenleaf Avenue/Uptown Whittier Project Area, Whittier Earthquake Recovery Project Area, and the Whittier Boulevard Project Area. The largest portion of the WBSP Area is contained within the Whittier Commercial Corridor Redevelopment Project Area that was adopted in March 2002. At the time of preparation of this Redevelopment Plan, tax increment projections estimated a 2003-04 income of \$202,739 of net tax increment available for non-housing programs. An additional \$67,580 was estimated to be available in the Redevelopment Agency’s mandatory 20 percent Low- and Moderate-Income Housing set-aside fund in fiscal year 2003-04. The annual income stream of net tax increment was estimated to increase by approximately \$100,000 per year for the first five years with a 2007-08 net payment of \$709,769. The 20 percent LMI Housing Set-Aside funds were projected to increase by approximately \$35,000 per year for the first five years with a 2007-08 payment of \$236,590.

The tax increment projections discussed above include a four percent annual growth rate in both secured and unsecured assessed value as well as infusions of assessed value from hypothetical new development projects. Several actual new development projects are now known. These new development include the following: 1) Leggett and Platt project will result in an increased assessed value of about \$7 million, bringing in property tax increment revenues to the Agency of about \$60,000, 2) Rippy Corporation expansion will add approximately \$5 million of assessed valuation, resulting in property tax increment revenues to the Agency of about \$42,000 annually, 3) The Zarembo Group developments will generate an additional \$3 million in assessed value, resulting in

approximately \$25,000 in annual property tax increment to the Agency, and 4) the redevelopment of the Whittwood Mall.

The Report to the City Council prepared at the time of adoption of the Whittier Commercial Corridor Project Area contained a bonding capacity analysis that addressed using estimated tax increment revenues to issue Tax Allocation Bonds in the amount of \$4.8 million in fiscal year 2004-05. The net proceeds from such an issue would be approximately \$4.25 million. Bond issues can be approximately ten times the value of the yearly tax increment revenue. It is suggested that the Agency review its tax increment allocations from the Whittier Commercial Corridor Project Area and assess the feasibility of issuing tax allocation bonds to cover a portion of the cost of rehabilitation of Whittier Boulevard.

2) Section 108 Loan Guarantee Program/BEDI Grant

Components of the below discussions regarding Section 108, CDBG, HOME, and BEDI, and EDI funds are excerpts from HUD.

Section 108, the loan guarantee provision of the Community Development Block Grant program, is one of the most potent and important public investment tools that HUD offers to local governments. It allows them to transform a small portion of their CDBG funds into federally guaranteed loans large enough to pursue physical and economic revitalization projects that can renew entire neighborhoods. Such public investment is often needed to inspire private economic activity, providing the initial resources or simply the confidence that private firms and individuals may need to invest in distressed areas. Section 108 loans are not risk-free, however; local governments borrowing funds guaranteed by Section 108 must pledge their current and future CDBG allocations to cover the loan amount as security for the loan.

Loan commitments are often paired with Economic Development Initiative (EDI) or Brownfield Economic Development Initiative (BEDI) grants, which can be used to pay predevelopment costs of a Section 108-funded project. They can also be used as a loan loss reserve (in lieu of CDBG funds), to write-down interest rates, or to establish a debt service reserve. BEDI funds are used for economic development projects to increase economic opportunities for low- and moderate income persons to stimulate or retain businesses or jobs or that would otherwise lead to economic revitalizations. HUD emphasizes the use of BEDI and Section 108 Loan Guarantee fund to finance projects and activities that will

provide near-term results and demonstrable economic benefits, such as job creation and increases in the local tax base.

In July 2003, the City of Whittier submitted an application to HUD for a \$750,000 BEDI Grant and a \$5.5 million Section 108 Loan. HUD notified the City in October 2003 that the grant application had been approved. The Section 108 Loan application will be reviewed by the federal government as soon as the project is designed. These funds will be available to assist in construction of public works improvements identified in the Specific Plan along the portion of Whittier Boulevard from Broadway on the west to Painter Avenue on the East. A portion of the funds will also be used for public works improvements running south on Washington Boulevard from its intersection with Whittier Boulevard on the north to Lambert Road to the south. Improvements covered under this funding source include the rehabilitation of streets, new curbs, gutters and sidewalks, traffic signals, street lighting, landscaping, signage and traffic circulation improvements.

When the Section 108 loan is issued, it will be repaid over 20 years with interest only during the first two years. The \$750,000 in BEDI grant funds will pay the interest during those early years of the Section 108 loan repayment. Total cost for improvements for the area described above is estimated at \$13.22 million. A total of \$5.5 million is anticipated to come from the Section 108 loan and the \$7.72 million balance of the funds may come from transportation or Redevelopment Agency funds. Repayment of the Section 108 loan will come from the City's annual CDBG allocation, which will reduce funds available for other CDBG eligible uses for years to come. Year 4 through year 20 payments are expected to be approximately \$455,000 annually. In addition, the City and Redevelopment Agency must be prepared to pledge land and/or General Funds as additional loan security in case the CDBG program should be terminated or the City's allocation falls below the repayment amount.

The \$13.22 million discussed above will provide funding for public works improvements along just over one-third of Whittier Boulevard covered in the Specific Plan. Improvements to the remaining two-thirds of the Specific Plan Area are estimated to total \$18.76 million and will need to be provided through other funding sources available to the City.

3) Community Development Block Grant (CDBG)

The City of Whittier receives annual CDBG entitlement grant funding from the U.S. department of Housing and Urban Development (HUD). The City received a total entitlement amount of \$1,180,071 in Program Year 2003 (July 1, 2003 to June 30, 2004). The amount of funds are set by an established federal formula and are available for use on a range of economic development projects and activities including revitalizing neighborhoods, economic development, and community facilities and services. The federal formula uses several objective measures of community needs, including the extent of poverty, population, housing overcrowding, age of housing and population growth lag in relationship to other metropolitan areas. CDBG funds are to be used by the Participating Jurisdiction to principally assist persons of low and moderate income. As discussed above, the City of Whittier has secured a Section 108 loan to undertake a portion of the Whittier Boulevard infrastructure improvement projects. The Section 108 Loan annual repayment amount of \$455,000 will come from City's CDBG funds over the 20 year loan term. The estimated debt service accounts for almost 40 percent of the City's 2003 annual entitlement amount.

Entitlement communities receiving CDBG funding develop their own programs and funding priorities. However, grantees must give maximum feasible priority to activities which benefit low and moderate-income persons. A grantee may also carry out activities which aid in the prevention or elimination of slums or blight. Additionally, grantees may fund activities when the grantee certifies that the activities meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs. CDBG funds may not be used for activities which do not meet these broad national objectives.

CDBG funds must be used to meet the broad national objectives, more specific example activities include, but are not limited to: 1) Acquisition of real property, 2) Relocation and demolition, 3) Rehabilitation of residential and non-residential structures, and 4) Construction of public facilities and improvements, Provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities.

4) HOME Funding

The HOME Program was signed into law as Title II of the Cranston Gonzalez National Affordable Housing Act in 1990. The primary purposes of the program are to provide decent affordable housing to lower-income households, expand the capacity of non-profit housing developers, strengthen the ability of state and local government to provide housing, and leverage private sector participation (jurisdictions spending HOME funds are required to match 25 cents for each dollar of HOME funds). The City of Whittier, a HOME Program Participating Jurisdiction, received \$534,317 in Program Year 2003 entitlement funds calculated and distributed per a federally mandated formula. Historically, HOME funds have been somewhat difficult for Whittier to spend because of strict limits on rents, income, purchase price, and per unit subsidy. Nevertheless, this funding source may be effectively utilized for residential development and/or rehabilitation in the future within the three Specific Plan districts that allow residential land uses.

b. Potential Future Funding Sources

1) Funding from Caltrans

The City of Whittier has previously explored the possibility of gaining full control of Whittier Boulevard through relinquishment for the California Department of Transportation (Caltrans). At this time, the City has determined that relinquishment is not a viable option, but may be considered in the future.

During the relinquishment process, a city will assess the existing deficiencies of a State Highway to bring it to the Caltrans standards. After a total dollar amount is calculated for bringing deficient components up to standards, that amount will be requested from Caltrans as a payment to the City for taking control and responsibility of the Right-of-Way. The City hired a construction management and inspection firm to evaluate and study current infrastructure deficiencies along the Whittier portion of State Highway 72. Preliminary cost estimates to correct current deficiencies to the concrete improvements (sidewalk, curb, curb and gutter, gutter plate, driveway, cross gutter, spandrel, etc.) are estimated to be approximately \$2.5 million. This figure excludes traffic signals and street lighting requirements. It should also be mentioned that this dollar amount is for bringing Whittier Boulevard up to Caltrans standards; not standards described in the Whittier

Boulevard Specific Plan. It is estimated that Caltrans may provide between \$2 and \$4 million to the City of Whittier as a part of relinquishment of Whittier Boulevard. At this point in time, there is only a remote chance of actually receiving this funding source when considering the state's current fiscal condition.

2) California Gas Tax

The Motor Vehicle Fuel License Tax and Diesel Fuel Tax (collectively, "Gas Tax"), is imposed on fuel distributors per gallon of fuel distributed. The tax rates are \$0.18 per gallon excise tax and a sales tax of 6 percent, which is in addition to federal excise taxes imposed.

In 2000, the Transportation Congestion Relief Program (TCRP) was enacted in California. Under the program, gasoline sales tax revenues will be used from 2003-04 through 2007-08 for specified transportation purposes including highways, streets and roads, and transit improvements. Thereafter, these revenues will be available for various general state purposes.

In FY 02-03 the City of Whittier received \$1,575,730 in Gas Tax funds that can be used for improving circulation within the community. It is unclear how many of these dollars can be used for implementation of the Whittier Boulevard Specific Plan.

3) Los Angeles County Transportation Propositions

Below is an excerpt from the Los Angeles County Metropolitan Transportation Authority (MTA), Proposition A and C Local Return Guidelines FY1999.

The Proposition A and Proposition C programs are two one-half cent sales tax measures approved by Los Angeles County voters to finance a countywide transit development program. By ordinance, the MTA is responsible for administering the programs and establishing guidelines. The Proposition A tax measure was approved in 1980 and the Proposition C tax measure was approved in 1990. Collection of the taxes began on July 1, 1982 and April 1, 1991, respectively. Each year, more than \$1 billion is generated in local transportation revenue.

As a condition of voter approval, 25 percent of the Proposition A tax revenues and twenty percent of the Proposition C tax revenues are earmarked for the Local Return Programs to be used by cities and the County of Los Angeles in developing and/or improving local public transit, paratransit and related

transportation infrastructure. Local Return funds are allocated and distributed monthly to jurisdictions on a “per capita” basis by MTA. Eligible expenditures are outlined in the MTA’s Adopted Local Return Program Guidelines. MTA estimates that in FY 03-04 the City of Whittier will receive \$1,170,663 in Prop A Local Return funds and \$970,939 in Prop C Local Return funds for a total of \$2,141,602. It is unclear how many of these dollars can be used for implementation of the Whittier Boulevard Specific Plan.