

## **Appendix A – Potential Funding Sources**

The discussion below includes examples of potential financing sources for the catalyst projects described in Chapter 16 of the Downtown Specific Plan.

### **A.1 DIRECT CITY FINANCING**

#### **A.1.1 City General Fund**

The City General Fund is the main source of City financing for ongoing operating, staffing, and maintenance costs. Occasionally, Cities will use the reserves of the City General Fund for major capital or one-time purchases. However, in light of the recent budget crises affecting many California cities, the City General Fund reserves are more beneficial as a cushion for years when the City’s annual budget must still provide essential services such as Police. For most of the proposed Catalyst Projects, use of the General Fund would be a last resort.

#### **A.1.2 Establishment of a Redevelopment Agency**

Redevelopment is a powerful tool among local governments because it permits them to engage in a wide range of economic development activities and direct the private real estate market into targeted areas. Redevelopment agencies are generally financed through the issuance of bonds, which are then paid off by increases in the property tax revenues of the redevelopment area. This mechanism is known as tax increment financing. Redevelopment agencies are used to finance major capital projects in designated plan areas that qualify for redevelopment based on a series of blight findings.

The creation of Redevelopment Agency in Martinez is a controversial topic that has been at the forefront of planning discussions over the past year. In March 2004, Measure M narrowly passed setting the stage for the establishment of a Redevelopment Agency. Because its future remains uncertain, the specific plan provides a variety of alternative financing options for the proposed Catalyst Projects.

### **A.2 OTHER GOVERNMENT SOURCES OF FUNDING**

#### **A.2.1 Transportation for Livable Communities Program**

[http://www.mtc.ca.gov/projects/livable\\_communities/tlc\\_grants.htm](http://www.mtc.ca.gov/projects/livable_communities/tlc_grants.htm)

The Transportation for Livable Communities (TLC) Program provides planning grants, technical assistance, a Housing Incentive Program and capital grants to help cities and nonprofit agencies develop transportation related projects.

The Transportation for Livable Communities Capital Program funds transportation infrastructure improvements for pedestrian, bicycle and transit facilities. The Metropolitan Transportation Commission (MTC) allocates federal Surface Transportation Program or Congestion Mitigation and Air Quality Improvements Program Funds toward the projects. Grants typically range from

\$500,000 to \$3 million per project. A local match of 11.5 percent of the total TLC project cost is required. Project activities eligible for funding include bicycle and pedestrian paths and bridges; on street bike lanes; pedestrian plazas; pedestrian street crossings; streetscaping such as trees, lighting, furniture; traffic calming design features; signage and gateway features.

The Community Design Planning Program funds community design and planning processes to revitalize existing neighborhoods, Downtowns, commercial cores, and transit station areas and stops. The community design planning processes often lead to the development of capital projects. MTC allocates Transportation Development Act or Surface Transportation Program funds to this program. Up to \$75,000 is available per project and a 20 percent local match is required.

TLC provides funding for projects that are developed through an inclusive community planning effort. Applications are available online and there are also regional workshops to provide an overview of TLC, federal-aid process for delivery TLC projects, and TLC application process. The City of Martinez is currently submitting an application to MTC for a TLC Capital grant for sidewalks, lighting and street trees in Downtown Martinez, and a previous TLC grant assisted the City in preparing this Specific Plan.

### **A.2.2 Contra Costa County Measure C Discretionary Funds**

<http://www.ccta.net/index.htm>

Measure C is a transportation sales tax initiative that was approved by 55% of Contra Costa County voters in 1988. Measure C has two main elements:

- The Expenditure Plan administers the distribution of sales tax revenues to transportation programs and projects in the county.
- The Growth Management Program attempts to sustain the expenditure plan’s investments by laying out certain requirements that cities and the county must meet in order to receive their share of Measure C’s “Local Street Maintenance and Improvement” funding.

During the 20-year life of the original Measure C, the sales tax is expected to distribute approximately \$740 million to specific transportation programs and projects in the county. Contra Costa Measure C has an annual budget of \$53 million and spends:

- 41% on highways
- 28% on transit
- 0.4% on trails
- 30% on other programs

The City of Martinez could use Measure C funds to improve pedestrian and bicycle paths, highways and transit.

### **A.2.3 State Historic Restoration Incentives**

The State of California Office of Historic Preservation manages both state and federal historic preservation programs. This section describes grants and programs funded by sources in the State of California.

#### ***The California Register of Historic Places***

The Mills Act, described below, does not require a property to be on the State or National Register of Historic Places. However, the act does require participating properties to be recognized for their historic value by local or county public agencies. To be eligible for a Heritage Fund Grant, a property must be on the State Register of Historic Places. The California Register and the National Register have similar eligibility requirements with some slight differences. For a comparison of the California Register and the National Register, refer to: <http://ohp.parks.ca.gov/pages/1054/files/ts06ca.pdf>.

#### ***The Mills Act***

<http://www.ohp.parks.ca.gov>

The Mills Act enables property owners to enter into an agreement with the City wherein the owner will restore and maintain an historic property for a ten-year period in exchange for some relief from property taxes. According to the State Office of Historic Preservation, the Mills Act could result in a savings for property owners of up to 50 percent of their property taxes. As a condition to enter the program, some cities charge a fee to the property owner. To be eligible for the Mills Act, a property must be in one of the following categories:

- Listed in the National or State Register of Historic Places
- Located in a National or State Registered Historic District
- Listed in any formal state, city, or county-recognized list of historic places

#### ***Heritage Fund Grants***

This 50/50 matching grant is available to landmarks that are on the State Register of Historic Places, or that are on the Federal Register of Historic Places. Public agencies, nonprofits, and federally registered California Indian tribes are eligible to apply for these grants, which are funded through private donations, legislative appropriations, or bond measures. There is no ongoing source of revenue for this program.

### **Federal Historic Restoration Incentives**

There are several sources of Federal funding that property owners can use to preserve historic buildings or districts. In most cases, properties must be in the National Register of Historic Places, which is administered by the National Park Service.

#### ***The National Register of Historic Places***

<http://www.cr.nps.gov/nr/listing.htm>

With the exception of the Mills Act, most historic preservation incentive programs require the building or district to be listed on the National Register of Historic Places. A public agency such as the City, or a property owner, or citizen group can nominate a building or district for the National Register. The nominations are submitted to the State Historic Preservation Office, which submits the nomination to a state commission made up of historians, art historians,

architects, and archaeologists. The review board makes a recommendation to the state office to approve the nomination. The process takes a minimum of 90 days and may take longer depending upon the volume of nominations before the State Historical Resources Commission.

### ***The Certified Local Government Program***

<http://www2.cr.nps.gov/clg/index.htm>

To become a Certified Local Government (CLG), the City would enter into a partnership with the State Office of Historic Preservation and the National Park Service. The benefits of being a CLG vary from training and technical support, to becoming eligible for additional sources of funding for historic preservation programs. Federal historic preservation grants, which are administered by each individual state, are partially set aside specifically for areas participating in the CLG program. Moreover CLGs are eligible for funding that is earmarked for technical property assessments and historic program development.

### ***Historic Preservation Tax Credits***

<http://www2.cr.nps.gov/tps/tax/>

The National Park Service and the Internal Revenue Service offer two types of Federal Historic Preservation Tax Incentives to property owners seeking to restore an historic property: the 10 percent historic tax credit and the 20 percent historic tax credit. Both credits enable the property owner to reduce their federal income taxes by a share of the qualifying restoration costs for an historic property. Both credits are only available for depreciating buildings; i.e. rented residential buildings or commercially used buildings. There is a \$500 to \$2,500 processing fee for tax credit applications.

The 10 percent tax credit reduces qualifying costs of restoration by 10 percent for buildings constructed before 1936. The building cannot be within a Nationally Registered Historic District, nor can it have been declined the 20 percent tax credit previously. Many commercial buildings in Downtown Martinez could therefore be immediately eligible for this tax credit. The case study building, for example, was constructed before 1929 and would therefore be eligible for consideration for this tax credit.

The 20 percent tax credit reduces the qualifying costs of restoration by 20 percent. To qualify, the building must be a Nationally Registered Historic Landmark, or must be located in a Nationally Registered Historic District. Occasionally, buildings that are undergoing the nomination process for the National Register, but which have not yet completed the review process, have been considered for the 20 percent tax credit. Because Downtown Martinez is not currently a Registered Historic District at the state or national level, Downtown buildings not listed individually on the National Register would not be eligible for this tax credit.

## **A.3 PRIVATE INVOLVEMENT**

### **A.3.1 In-Lieu Development Fee**

In lieu of payment of all or a portion of development fees, developers may dedicate land to the City of Martinez for other purposes such as parks or affordable housing. Whenever a developer determines to dedicate land in lieu of payment, a written application must be made describing the property to be dedicated and the development to receive credit for the development fee. If the

land is used for a park, the Park and Recreation Director must confer with the Planning Director and the Real Property Services Manager and prepare a report to the City Council regarding the proposed dedication. The value of the property to be dedicated must be determined in the same manner as the then current calculation of the average cost of parkland for the Local Park Development Fee.

#### **A.4 ASSESSMENT DISTRICTS**

<http://www.californiataxdata.com/pdf/AssessmentDistrict.pdf>

Assessment Districts are most commonly established to finance the construction of public capital improvements and where authorized, to operate and maintain costs of certain public facilities. Assessment districts are formed in two different ways: (1) Property owners petition the appropriate public agency to form a district and provide a needed public improvement, or (2) A public agency foresees the need for an improvement and approaches the affected property owners with an assessment district proposal.

##### **A.4.1 Business Improvement Districts**

Business Improvement Districts (BIDs) are a type of assessment district in which business owners choose to be assessed a fee, which is collected on their behalf by the City, for use in promoting and improving the business area. In California, BIDs date back to 1965 with the approval of the "Parking and Business Improvement Area Law." Today there are approximately 200 BIDs in the state.

A Business Improvement District provides a business area with the resources to develop marketing campaigns, increase lobbying efforts, secure additional funding and enhance public improvement and beautification projects in partnership with the City. Activities, programs and improvements range from farmers' markets to business promotions to installing street lighting and removing graffiti. By pooling private resources, business owners in BIDs collectively pay for activities, which they could not afford on an individual basis. Further, since a BID fee is a benefit assessment and not a tax, BIDs can consistently enact programs and activities without relying on public funding.

##### **A.4.2 Property and Business Improvement Districts**

Property and Business Improvement Districts (PBIDs) (Streets and Highways Code section 36600) provide for an assessment on owners of commercial property within a defined geographic area. The proceeds from this assessment are used to provide services that provide a specific benefit to those properties in the district.

The improvements, which may be financed by the PBID, are enumerated under the Parking and Business and Improvement Area Law of 1989, and include:

- Closing, opening, widening or narrowing existing streets
- Rehabilitation or removal of existing structures and facilities or equipment
- Marketing and economic development

- Security, sanitation, graffiti removal, street cleaning, and other municipal services

Streets and Highways Code 36610 defines acceptable “improvements” as “the acquisition, construction, installation, or maintenance of any tangible property with an estimated useful life of five years or more....” Therefore, the use of the PBID does not appear to be limited to specific types of infrastructure, although it is commonly used to finance street and lighting improvements. The formation of a PBID is initiated by a petition signed by the property and business owners who will pay more than 50 percent of the proposed assessment. It therefore requires significant public support within the benefiting area.

#### **A.4.3 Lighting and Landscape Assessment District**

The Landscaping and Lighting Act of 1972 (Streets and Highway Code section 22500) enables assessments to be imposed in order to finance:

- Acquisition of land for parks, recreation, and open space
- Installation or construction of planting and landscaping, street lighting facilities, ornamental structures, and park and recreational improvements (including playground equipment, restrooms and lighting)
- Maintenance and servicing any of the above.

#### **A.4.4 Maintenance Assessment District**

Maintenance Assessment Districts (MADs) are authorized in the “Landscape and Lighting Act of 1972.” MADs usually fund:

- Maintenance services, construction and installation.
- Open space and mini-parks
- Street medians and street lighting,
- Security
- Flood control and drainage.

#### **A.4.5 Parking Assessment District**

The Parking District Law of 1943 (Streets and Highways Code section 31500) authorizes a city or county to finance the following acts:

- Acquisition of land for parking facilities (including the power of eminent domain)
- Improvement and construction of parking lots and facilities
- Issuance of bonds
- Employee salaries

The City of Martinez has a long-standing parking district in the Downtown area that uses a small amount of property tax revenues and parking meter revenues to enforce and maintain the meters, and build and improve surface parking lots.