What is an Integrated Finance District?

California

PROPERTY TAX
INFORMATION

An Integrated Finance District can be used along with another financing district to assist in funding multi-phase development projects.

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Background:

New housing and office building developments are commonly planned in phases, where money may not be needed immediately for future phases. The Integrated Finance District Act (Government Code §53175 *et seq*.) was created to help developers and builders with the cash flow challenges of financing multi-phase projects. Instead of assessing individual parcels before they can be sold or occupied, a private investor loans initial funds. Then, properties are assessed only once they are built, when the developer/builder is closer to being able to sell or rent the units.

Authorizing Legislation

The Integrated Finance District Act (or "IFD") can be used along with another land-based financing act or benefit assessment:

- Assessment Districts
- Landscaping and Lighting Districts
- Vehicle Parking Districts
- Park and Playground Districts
- Mello-Roos Community Facilities Districts
- Benefit Assessment Districts (1982 Act)

Any local government agency that is authorized to create any of these financing districts can use the Integrated Finance District Act.

Basically, the Integrated Finance District Act is used to levy an assessment which is contingent upon future land development and payable upon approval of a subdivision map or zone change or the receipt of a building permit. It also allows the local agency to enter into an agreement with a private investor where the investor will loan money up front, then be repaid through the contingent assessments. The income from the loan is tax free to the investor.

In addition to repaying the investor, contingent assessments may be used to pay the cost of planning, designing, and constructing improvements authorized by the other financing district, and to pay principal and interest on any bonds issued by the other financing district.

Because the assessment is not triggered until development is ready to begin, these features make the act an attractive option for developers when development is to occur in phases. Payment of assessments will be deferred until such time as public improvements are needed.

How Can an I.F.D. Affect Property Taxes?

A property may be charged the one time contingent assessment on the property tax bill or it may be billed directly.

How is an Integrated Finance District Formed?

Formation of an Integrated Finance District is proposed by the adoption of a resolution by the sponsoring agency, and is done at the same time the other financing act is put in place. Information about the IFD will be included in the public information packets for the other financing district. Because formation of the other district will require landowner or voter approval, the IFD will also be included in the vote, although it is technically approved by the agency itself.

How is the Annual Charge Determined?

The contingent assessment is a fixed dollar amount applied to each parcel (or development unit) when it reaches a particular stage of development. Usually the trigger is a building permit, or approval of a subdivision map.

How Long Will the Charge Continue?

The contingent assessment is a one-time charge only.

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