

DOWNTOWN BUSINESS CORRIDOR
EIFD
PUBLIC FINANCING AUTHORITY

TO: PUBLIC FINANCING AUTHORITY
FROM: GABE OSBURN, DIRECTOR
SUBJECT: PLANNING AND ECONOMIC DEVELOPMENT
FORMATION OF THE CITY OF SANTA ROSA ENHANCED
INFRASTRUCTURE FINANCING DISTRICT (DOWNTOWN
BUSINESS CORRIDOR) AND ADOPTION OF THE
INFRASTRUCTURE FINANCING PLAN

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the City of Santa Rosa's departments of Planning and Economic Development and Finance that the Downtown Business Corridor EIFD Public Financing Authority, 1) hold a noticed public hearing including protest proceedings; and 2) if there is no protest of over 50% of the combined number of landowners and residents at least 18 years of age in the area of the EIFD (in which case the proceedings shall terminate) and no protest of between 25% and 50% of the combined number of landowners and residents at least 18 years of age in the area of the EIFD (in which case an election shall be called), by resolution, adopt the draft Infrastructure Financing Plan for the City of Santa Rosa Enhanced Infrastructure Financing District (Downtown Business Corridor) (District) and form the District.

EXECUTIVE SUMMARY

An Enhanced Infrastructure Financing District (EIFD) is a financing tool that supports public infrastructure and development that in turn supports and incentivizes private investment into specific areas where mixed-use development is desired. The goal of the EIFD is to leverage future tax increment to fund projects that accelerate economic growth, create jobs, and serve as catalyst for private sector investment and development, further improving the region's competitiveness for state and federal grants within the EIFD while increasing economic mobility. In April of 2023, the Santa Rosa City Council (Council) adopted a Resolution of Intention to form the City of Santa Rosa Enhanced Infrastructure Financing District (Downtown Business Corridor) (District) and adopted a Resolution to establish the Downtown Business Corridor EIFD Public Financing Authority (PFA) as the governing board of the District. The Infrastructure Financing Plan (IFP) describes the

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boundaries of the District, the public facilities and other projects of community wide significance to be financed by the District, and the tax revenue allocated by the City of Santa Rosa (City) and the County of Sonoma (County) to the District. The IFP must be adopted by the City and the County prior to the PFA's adoption of the IFP and formation of the District. The IFP was presented to the PFA on April 2, 2025. The PFA and City and County staff discussed revisions to the limitations on the methods for determining the EIFD funded improvements, including, among other factors, the proximity of the improvements to the EIFD, the economic impact of the improvements and the approval rights of the City and County.

After hearing all written and verbal comments, the PFA opened the first public hearing, as required under EIFD law, on May 8, 2025. The public hearing was continued to May 15, 2025, during which the PFA incorporated certain comments and modified the IFP. The Council and the Sonoma County Board of Supervisors (Board) reviewed the modified IFP on June 3, 2025, and adopted resolutions approving the IFP as presented.

Under EIFD law, if the enhanced infrastructure financing plan is not rejected at the first public hearing, a second public hearing must be held to allow landowners and residents in the area to submit oral or written protests. At the second hearing, the PFA must consider all protests and any recommendations from affected taxing entities. The PFA must terminate the proceedings if a majority protest is received (over 50% of the combined number of landowners and residents in the area at least 18 years of age) and call an election if protests represent 25% to 50% of the combined number of landowners and residents in the area at least 18 years of age. If less than 25 percent of the combined number of landowners and residents in the area who are at least 18 years of age file a protest, the PFA may, by resolution, form the District and adopt the IFP. The resolution adopting the IFP shall be subject to referendum.

BACKGROUND

The formation of an EIFD provides a financing tool that is available to support infrastructure project development that in turn supports private mixed-use development projects. An EIFD is a type of special financing district that utilizes a portion of tax increment revenue from a specifically defined area to finance capital facilities or other specified projects of community-wide significance that provide benefits to the area within the EIFD or the surrounding community. The California Legislature authorized the formation of EIFDs in 2014 through Senate Bill 628. The statutory framework for EIFDs, which has been amended multiple times since 2014, is codified in Chapter 2.99 of Part 1 of Division 2 of Title 5 of the California Government Code (commencing with Section 53398.50) (EIFD Law).

On April 25, 2023, Council passed RES-2023-076 for the purpose of initiating the process of analyzing and potentially forming the District in the downtown business corridor.

On the same date Council passed RES-2023-077 establishing the PFA (Resolution Establishing PFA). The PFA is the governing board of the District, and is responsible for

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causing the preparation of the IFP, which will describe, among other things, the allocation by the City and the County of certain incremental property tax revenue to the District, and the issuance by the District of bonds and other debt.

On October 19, 2023 the PFA, by Resolution PFA 23-005, directed City staff to prepare the IFP.

In the Resolution Establishing PFA, the Council authorized City staff and other resources to assist the PFA in carrying out the formation and implementation of the District including contracting for consultant services. Additionally, in the Resolution Establishing PFA, the Council authorized the City Manager to assign a “Designated Official” to prepare the IFP. Through a competitive RFP process, David Taussig and Associates, Inc., dba DTA, was selected for this purpose.

On April 30, 2024, the Board held a workshop at which City staff, along with the City’s EIFD consultant, David Taussig and Associates (DTA), presented an overview of the proposed District. City staff also presented general information about the IFP, the investment plan that must be approved by the PFA and each taxing entity represented on the PFA. City staff also shared with the Board potential public infrastructure projects that may be proposed for the District. Project categories included: improving connectivity between Downtown and Railroad Square, improving and making more accessible existing public space, beautification of existing public right-of-way, affordable housing development, and large-scale development projects such as a conference center.

On August 20, 2024, the Board held a meeting to provide input on projects and project categories that the City had previously proposed, as well as the amount of County property tax increment to be committed to the District. The Board provided general support for the proposed project categories that were presented during the April 30, 2024 workshop and committed 25% of property tax increment collected within the District to the District.

On November 19, 2024, the City Council approved Resolution No. RES-2024-183 committing 50% of the property tax increment collected within the District to the District.

On April 2, 2025, the draft IFP was introduced to the PFA and comments from the public, City staff, County Staff and members of the PFA were reviewed.

The first public hearing required under EIFD law to be conducted by the PFA opened on May 8, 2025 and was continued to May 15, 2025. During the first public hearing, the PFA was required to accept, reject or modify the IFP. On May 15, the PFA modified the IFP.

ANALYSIS

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The primary goal of the District is to provide a funding mechanism for economic development projects that enhance the quality of life within the District boundary and create a more attractive environment for businesses and residents. The IFP focuses on supporting project types that catalyze private investment and increase growth in property taxes and retail sales.

Under an EIFD, property taxes provide the primary means for capturing economic growth. The concept of tax increment relies on an underlying assumption that infrastructure investments will produce sufficient economic activity to generate property tax revenue that will be sufficient over time to finance the investment. EIFDs have access to three primary streams of property tax increment from taxing entities that voluntarily choose to participate in the EIFD: 1) the portion of local property tax increment generated by the 1% general ad valorem tax above the EIFD's base year value, 2) the property tax increment that is attributable to the Vehicle License Fee (VLF) swap adopted in 2004 and 3) net available revenue distributed to the City from the Redevelopment Property Tax Trust Fund attributable to Redevelopment Agency Parcels located within the EIFD boundary.

The IFP, which is required under Section 53398.63 of the California Government Code, outlines the EIFD's investment program as well as the fiscal impacts to participating jurisdictions. Incremental property tax revenue allocated to an EIFD may be used to pay for public capital facilities or other specified projects on a pay as you go basis, or may be used to pay debt service on bonds issued by the EIFD. The IFP must be consistent with the City General Plan, and any specific plans located within the boundaries of the EIFD, and is required to include the following components:

- A map and legal description of the proposed EIFD;
- A description of the public facilities and other forms of development or public assistance to be undertaken within the EIFD;
- A finding that the facilities to be funded are of communitywide significance and provide significant benefits to an area larger than the EIFD;
- A financing section containing a series of elements, including projected EIFD tax revenues and construction revenues, a limit on revenues collected, the period of time the EIFD will be in existence (not to exceed 45 years after the approval of a bond measure or loan by the PFA) and an analysis of the fiscal impacts of the EIFD on the local public agencies participating in the EIFD;
- A plan for financing costs incurred for properties within the EIFD that qualify for the State's Transit Priority Project Program; and
- The EIFD's goals for each public improvement financed by the EIFD.

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EIFD Law requires that the IFP and formation of the EIFD occur through a defined process. A public meeting must be held at which a draft IFP is presented. After which, the PFA must conduct one public hearing on the creation of the IFP and review and fine-tune the document. Once the PFA formally modifies the IFP, it must be distributed to the Council and the Board for approval by resolution. Subsequently, at a second public hearing, the PFA can then approve the IFP and officially establish the EIFD.

The PFA meeting to introduce the IFP was conducted on April 2, 2025. Members of the PFA, the City and the County staff proposed certain changes to the draft IFP. During the first PFA public hearing opened on May 8, 2025 and continued to May 15, 2025, the PFA elected to modify the IFP. Modifications to the draft IFP are summarized below:

- Provided a single project category titled “Placemaking” to include all placemaking and streetscaping projects.
- Added additional clarity regarding the need to fund projects that catalyze private development and materially increase economic activity within the District, including but not limited to, increasing employment, retail and restaurant sales, property taxes, commercial occupancies, private investment or other appropriate measures
- Identified the need for County approval for any future changes to the project categories eligible for District funding
- Required PFA to consult with County Auditor-Controller-Treasurer-Tax Collector (ACTTC) staff on financing terms, prior to PFA approval to issue District bonds
- Added explicit language that the District will not fund or reimburse projects already underway
- Added limitations on the methods for determining the improvements financed by the District, including, among other factors, the proximity of the improvements to the District, the economic impact of the improvements and the approval rights of the City and County
- Modified the project categories to blend the Placemaking and Performing Art/Sports Entertainment projects under a total 80% funding allocation and allocated 50% of the total amount collected within the category to Placemaking projects during the first 10 years
- Prohibited the issuance of bonds during the first 10 years for Placemaking projects
- Provided for the City, PFA and County to revisit the funding allocation at the end of the first 10 years during which the EIFD receives revenue and if a Performing Arts/Sports Entertainment project is available to be funded during the first 10 years

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- Added miscellaneous corrections to provide additional clarity

The modified IFP was presented to the Council and the Board through two separate meetings, both scheduled on June 3, 2025. During the June 3rd meetings, the Board and the Council adopted resolutions approving the modified IFP as presented.

At the second public hearing, the public financing authority shall consider all written and oral protests received before the close of the public hearing along with the recommendations, if any, of affected taxing entities. The public financing authority shall terminate the proceedings if there is a majority protest. A majority protest exists if protests have been filed representing over 50 percent of the combined number of landowners and residents in the area who are at least 18 years of age. An election shall be called if between 25 percent and 50 percent of the combined number of landowners and residents in the area who are at least 18 years of age file a protest. If less than 25 percent of the combined number of landowners and residents in the area who are at least 18 years of age file a protest, the PFA may, by resolution, form the District and adopt the IFP. The resolution adopting the IFP shall be subject to referendum.

The EIFD law authorizes the City and the PFA to bring a judicial validation action in Sonoma County Superior Court under Code of Civil Procedure Section 860 et seq. for the purpose of confirming the validity of the creation of the District and the adoption of the IFP, including the division of taxes thereunder. The proposed resolution would authorize the City to initiate a judicial validation action to support the validity of bonds to be issued by the PFA.

FISCAL IMPACT

The proposed recommendation does not result in a fiscal impact to the PFA's budget.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guidelines Section 15378. Future actions, such as the approval of infrastructure improvements using funding from the District, will be subject to environmental review in accordance with CEQA.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

See Background

ATTACHMENTS

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- Attachment 1 – Public Comment
- Attachment 2 - City Council Resolution RES-2025-092
- Attachment 3 - Sonoma County Board of Supervisors Adoption of Resolution
- Resolution/Exhibit A –Enhanced Infrastructure Financing Plan

PRESENTER

Gabe Osburn, Director
Planning and Economic Development