

Program F6 | ENHANCED INFRASTRUCTURE FINANCING DISTRICT**PURPOSE:**

An Enhanced Infrastructure Financing District (EIFD) authorized by SB 628 and signed by the Governor in 2014, creates a new form of “tax increment” financing where local taxing entities can garner property tax increments for infrastructure financing purposes. An EIFD, if created by the City, could be used for a variety of purposes, including funding the City’s homeless facilities, providing subsidies for specific housing incentive programs by offsetting related infrastructure costs, and providing direct subsidies supporting affordable housing projects serving very low and low income families.

AREA OF STUDY:

An EIFD would provide a source of funding drawn from future increases in the City’s (and, perhaps, other agency) property taxes. The notion, similar to redevelopment agency investments, is that infrastructure investments and subsidies to the private drive increases in property taxes that would not otherwise occur. An EIFD does not require a vote to create, but requires a 55 percent voter approval for any tax allocation debt issued. A feasibility study of an EIFD should address:

1. Determining the mix of improvements and investments (e.g. infrastructure or affordable housing subsidies) should be funded with tax increments, either on a Citywide or sub-area basis.
2. Preparing a financial feasibility analysis that includes a forecast of the City’s assessed valuation (and related annual tax increments) and the amount of funding that could be diverted to infrastructure or housing investments. Preliminary analysis indicates that allocating a third of the City’s total property tax increment through the end of the current Housing Element cycle (through 2023) would raise about \$20 million. Such an analysis could also evaluate sub-areas of the City that could utilize EIFD financing such as the Roseland District or the Downtown area. As a part of this effort it will be important to reflect any portion of property tax increment pledged to previous redevelopment agency bonded indebtedness.
3. Since the City’s property tax allocation factor represents a small portion (roughly 12 percent) of the total one percent property tax it will be important to consider the possibility of including other public agencies in the EIFDS, especially Sonoma County (which receives over 20 percent). There would need to be a “value proposition” to garner these other agency contributions which will need to be crafted (e.g. a common interest in creating affordable housing units).

STEPS/DELIVERABLES:

1. Successor Agency Prerequisites. Initially it will be necessary to obtain a “Finding of Completion” from the State Department of Finance related to Redevelopment Agency liabilities and comply with State Controller findings and orders related to transfer of redevelopment agency assets.
2. Defining Project Area. The EIFD project area can be defined as an entire jurisdiction (the whole City) or a sub-area thereof. There could be “nested” EIFDs, or a series of individual EIFDs created
3. Other Agency Outreach and Negotiation. The effectiveness of the EIFD may depend on garnering increments from other agencies (County, school districts, etc.). Negotiations should take place to determine how such partnership could serve the interests of each participating entity.
4. Adopt EIFD Adoption Resolution. An EIFD is created by a Resolution of the initiating public agency. As a part of the Resolution the members of the required Public Finance Authority (PFA) are specified.

5. PFA Prepares Infrastructure Financing Plan and Establishes the EIFD. The PFA prepares an Infrastructure Financing Plan (IFP) that details the infrastructure (and/or affordable housing) improvements to be funded and the funding sources (including but not limited to property tax increments), and the priority and timing of the various investments. The PFA then holds public hearings to review the IFP and adopt a Resolution officially creating the EIFD.

OUTREACH AND COMMUNICATION PLAN:

The intention to study the applicability of the EIFD will be part of the overall HAP Community Outreach Program. There should also be more directed efforts, for example working with stakeholders and potential public partners and addressing EIFD proposals that have already been put forth.

TIMEFRAME:

The City could initiate feasibility analysis during 2016. If determined feasible, formal efforts to create an EIFD could be initiated in early 2017.

COST:

Cost of the initial staff work and professional services would include preliminary outreach to potential public partners and stakeholders, identifying and forecasting funding available (including but not limited to property tax increments), developing a preliminary listing and cost estimated for infrastructure or affordable housing subsidies, and preparing a formal feasibility study. This effort is likely to require considerable staff and consultant support.