

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: RAISSA DE LA ROSA
ECONOMIC DEVELOPMENT DIVISION DIRECTOR
PLANNING & ECONOMIC DEVELOPMENT
SUBJECT: ENHANCED INFRASTRUCTURE FINANCING DISTRICTS
**(CONTINUED FROM THE SEPTEMBER 29, 2020,
REGULAR MEETING)**

AGENDA ACTION: STUDY SESSION

RECOMMENDATION

It is recommended that the Council review information on Enhanced Infrastructure Financing Districts and provide direction to staff.

EXECUTIVE SUMMARY

Enhanced Infrastructure Financing Districts (EIFDs) are a financing tool for infrastructure projects that provide broad community benefits. EIFDs allow such projects to be financed through tax increment generated from the growth in property taxes collected within a designated district boundary. EIFDs may be created by a city or county or by a city and county jointly, and once created, the district stands as a separate government entity. The board of the Renewal Enterprise District (RED), a Joint Powers Authority formed in 2019 by the City of Santa Rosa and County of Sonoma, has voiced support for the possibility of forming a tax increment financing district as a way to assist in the assembly of public financing and leverage other funding sources to accelerate downtown infill housing production.

BACKGROUND-In 2015, the Enhanced Infrastructure Financing Districts (EIFDs) bill (SB628) was signed into law, allowing for a separate government entity to be created by a city or county within a defined area to finance infrastructure projects with community-wide benefits.

In the months following the 2017 wildfires, there was heightened awareness of the importance of ensuring community-wide economic vitality by meeting housing development goals. The Sonoma County Board of Supervisors and the Santa Rosa City Council directed staff to identify new and more effective structures to quickly facilitate substantially increased housing development for all income levels. In response, the concept of a regional housing agency construct began to take shape in the form of the RED.

It is through the RED, both leading up and subsequent to its 2019 formation, that City and County staff and elected representatives researched and discussed various forms of tax increment financing, landing on EIFDs as a means to attract developers, blend private financing

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and public funds, leverage state and federal grant funds, and facilitate creation of housing that meets established public policy goals for increased density, access to transit, protection of open space and community separators; improved energy efficiency, climate resilience, and affordability; and to advance and ensure equitable access to housing.

PRIOR CITY COUNCIL REVIEW

No prior Council review or action. As RED Board of Director members, Vice Mayor Fleming and Council member Tibbetts have participated in EIFD discussions.

ANALYSIS

EIFDs are empowered to provide financing for a broad range of infrastructure work, including traditional public works such as roads and highways, bridges, parking facilities, transit stations, sewage and water facilities, solid waste disposal, parks, libraries, childcare facilities, flood control and drainage projects. In addition, EIFDs may also finance the purchase, construction, expansion, improvement and/or seismic retrofitting of property and other items fitting a broader range of public uses for economic development purposes, including but not limited to brownfield restoration and environmental mitigation, affordable housing, transit-oriented development projects, and projects carrying out sustainable community strategies. Other capital projects with a useful life of at least 15 years are also eligible.

The financed projects do not need to be located within the EIFD boundaries but must have a "tangible connection" to the district. Furthermore, an EIFD cannot acquire or sell property itself, and cannot use eminent domain, but, as mentioned above, it can finance acquisition of property by others.

The tax increment is available for up to 45 years from the date of first bond issuance. EIFDs property tax increment revenues may be used as part of a broader capital stack, including benefit assessments, development fees, and private investments.

EIFDs are only able to collect property tax increment from cities, counties and special districts that voluntarily agree to participate. Tax increment from K-12 school districts, community college districts and county offices of education may not be collected. Cities, counties and special districts may agree to contribute all or part of their tax increment to an EIFD.

Specific to a downtown Santa Rosa EIFD, because there are at least five residential development projects that would benefit from this tool, both Sonoma County Board of Supervisor RED board members are in favor of County participation.

FISCAL IMPACT

This item is a study session report with no associated fiscal impact.

ENVIRONMENTAL IMPACT

This study session is exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Guidelines Sections 15061(b)(3) and 15378 in that no activity is proposed for approval.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable to this item other than that the list of items under consideration and/or action/recommendation by the Economic Recovery Task Force is dynamic, consistently evolving since the first meeting of the group on April 10, 2020, with the Task Force taking an active role in shaping recommendations to Council, staff level actions, and other options within the above stated classification buckets.

NOTIFICATION

Not applicable.

ATTACHMENTS

- None

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