



Enhanced Infrastructure Financing District

TAX INCREMENT COMMITMENT

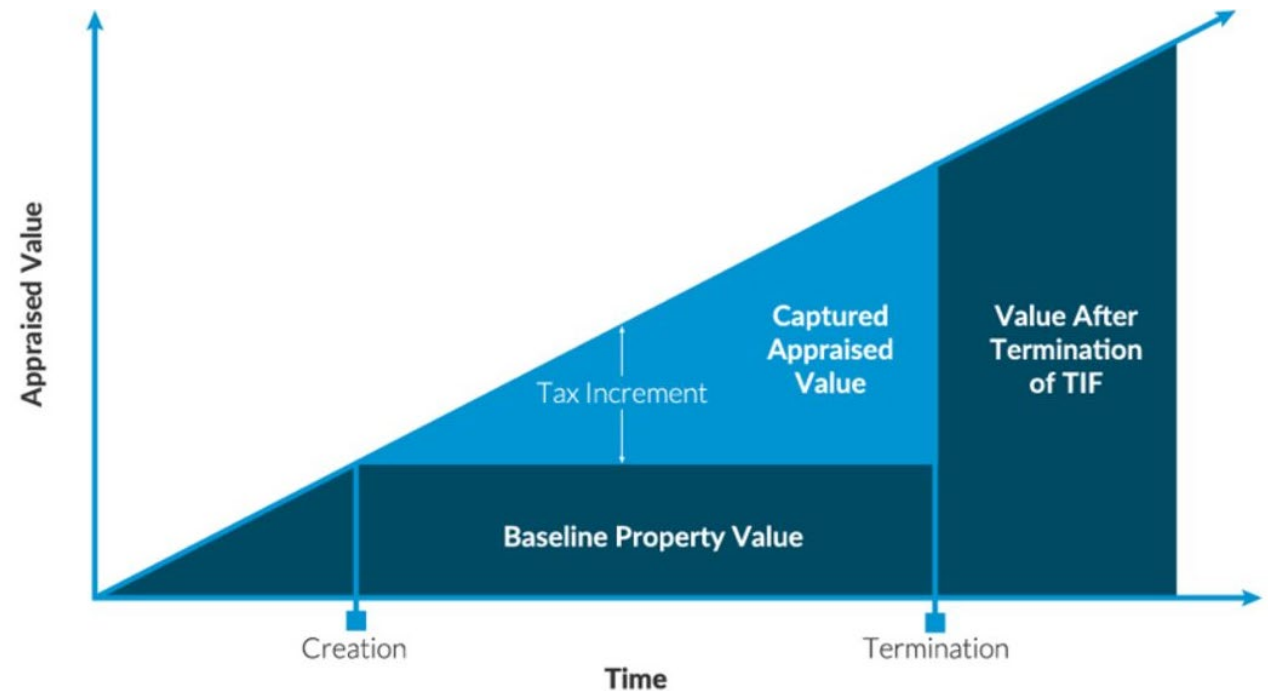
November 19, 2024

City Council

EIFD: Enhanced Infrastructure Financing District

- Financing tool for public infrastructure and private property improvements
- **Source of tax increment:**
Cities, counties and special districts may allocate all or a portion of tax increment generated by existing 1% ad valorem property tax and increases in assessed property value (AV) in the EIFD above the base year AV.

- **NO NEW TAXES.**
- **NO additional property taxes imposed**



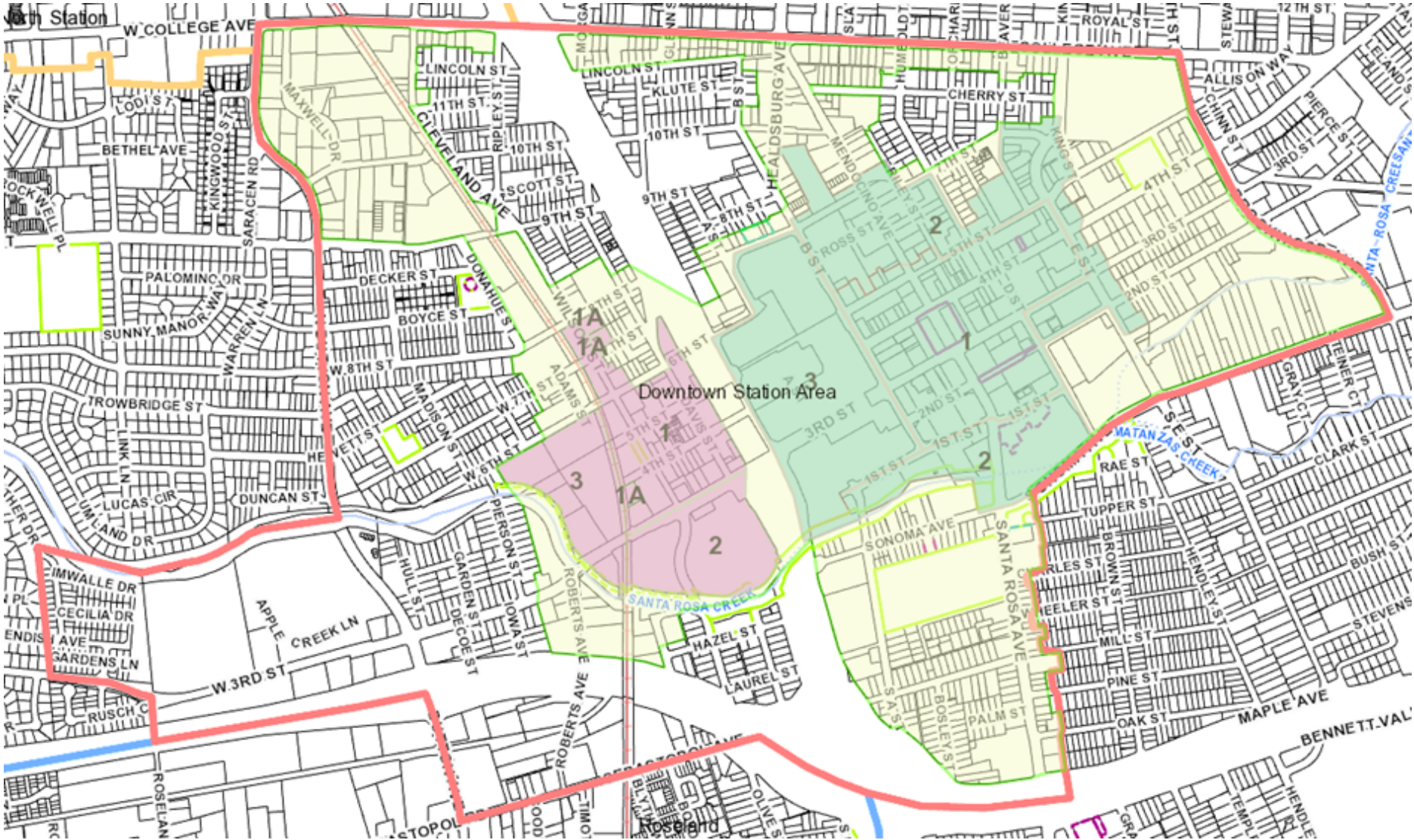
EIFD: Formation Process

City Council Meeting – April 25, 2023:

- **Resolution of Intention (ROI) - Adopted**
 - Approved EIFD boundaries
 - Identified types of public facilities and other projects of community wide significance to be financed
 - Identified goals of EIFD – address shortfalls in funding for public capital facilities and other projects that promote economic development in EIFD
- **Public Financing Authority (PFA) – Established**
 - 2 City Council members, 2 County Supervisors, 3 members of the public
 - Oversees development of Infrastructure Financing Plan (IFP); process includes decision points for City and County
 - Implements Infrastructure Financing Plan (IFP) after approval by City and County



EIFD: Boundary



-  Downtown Station Area Specific Plan
-  Downtown Community Benefit District
-  Railroad Square Community Benefit District
-  EIFD Boundary



EIFD: Boundary



Proposed Enhanced Infrastructure Financial District



EIFD: Sonoma County EIFD Policy

1. The City's contribution of property tax increment as a percentage must be greater than or equal to the County's **property tax increment contribution**.
2. The County will not contribute 100 percent of its property tax increment.
3. A fiscal analysis must be conducted by the City and must demonstrate a positive net impact to the County General Fund that is attributable to the tax revenue generated from the proposed EIFD and should account for avoided costs resulting from EIFD-funded projects.



EIFD: Sonoma County EIFD Policy

4. In addition to supporting economic development, projects in the proposed EIFD must align with established Board strategic priorities in one or more of the following areas: a) affordable housing, b) climate adaptation and resilience, c) transit-oriented development, d) active transportation, or e) advancing racial and social equity.
5. An EIFD proposal must be consistent with Division 2 of Title 5 of the California Government Code (Section 53398.5 - 53398.88), which authorizes the formation of EIFDs.



EIFD: Infrastructure Financing Plan (IFP)

IFP Elements

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



EIFD: Infrastructure Financing Plan (IFP)

IFP Status

- Draft document created
- Review of 25%/50%/75% tax increment commitment placeholders utilized for City and County to develop cash flow projections
- August 20, 2024 – Board of Supervisors committed 25% of County increment to district
- Staff seeking commitment on the City tax increment to include in the draft IFP that will be presented through a series of public meetings and hearings.



EIFD: IFP Adoption Timeline

- 1. City/County identify projects to be funded by EIFD and percentage of tax increment allocated to EIFD**
 - Board of Supervisors provided feedback on August 20th
 - City Council - November 2024
- 2. Introduction of draft Infrastructure Financing Plan (IFP) at Public Financing Authority (PFA) public meeting**
 - January 2025
- 3. PFA Public Hearings (receive comments and modify, reject or accept IFP)**
 - First quarter of 2025
- 4. City Council and Board of Supervisors (accept or reject IFP)**
 - April/May of 2025
- 5. PFA approves IFP and adopts Resolution of Formation**
 - June of 2025



EIFD: Project List – Code Allowances

The district shall finance only public capital facilities or other specified projects of communitywide significance that provide significant benefits to the district or the surrounding community, including, but not limited to, the following:

- Roads, highways, streets/streetscapes, parking facilities, and transit facilities
- Affordable housing
- Internet access services
- Childcare facilities
- Libraries
- Parks, open space, and recreational facilities
- Improvements related to fighting climate change
- Brownfield restoration and other environmental mitigation
- Transit priority facilities
- Sewer, reclamation, and water facilities
- Solid waste facilities
- Flood control facilities, retention bases, and drainage channels



EIFD: Potential Project List Discussed with PFA

Project Type	Amount	City Property	County Property	Private Property
Railroad Square/Downtown Connectivity	45%	✓		✓
Reprogramming and Activation of Comstock Mall	17.5%	✓		
Activation and Beautification of Existing Right of Way	17.5%	✓		
Affordable Housing	20%	✓	✓	✓
Total	100%			
Redevelopment of Fairgrounds (multiple uses)	TBD		✓	
Conference, Performing Arts or Entertainment Ctr.	TBD	✓		✓

EIFD: Potential Project Categories

Project Type	Percentage of Funds Collected
Streetscaping *	40%
Placemaking *	40%
Affordable Housing **	20%
Total	100%
Commercial Private Development Project (Conference, Performing Arts or Entertainment Center)	TBD

*Projects that support connectivity between Downtown and Railroad Square

**Units must be deed restricted at specific affordability levels

EIFD: Revenue Assumptions

Percentage of Increment Directed To District

- 25% of increment committed by the County
- 50% City commitment used as placeholder
- 50% of City increment directed to the General Fund

Growth Assumptions within the District

- 4% increase in assessed value of residential land uses
- 3% increase in assessed value of Non-residential land uses

Cumulative EIFD Revenue

- \$78 mil (2025-2070)
- 5% to administrative costs



EIFD: Benefits

Productivity of Investments in High Density/High Revenue Areas

- Investments in densely populated commercial zones typically produce higher return per acre
- Improving urban environment can encourage growth of small business
 - Collectively small businesses can generate more economic value than large single use development
- Enhancements to smaller high-density areas are adaptable and can accommodate shifts in community



EIFD: Benefits

Economic Multiplier Effect and Value Generation

- Public investment are known to boost economic activity
- Each dollar spent generates economic activity
- Multiplier difficult to determine until projects materialize

Qualitative Socio-Economic and Cultural Benefits

- Investments in streetscaping and placemaking elevate the area's aesthetics
- Enhances visitor experience and community pride



EIFD: General Fund Fiscal Impact

- Property tax and VLF comprise 26.9% of ongoing operational revenue
- Growth of revenue is included in City's long range financial forecast
- Immediate impacts from the diversion of revenue to the General Fund is difficult to predict
 - Effected by timing of development and property tax growth
- At 50% of the increment, the long-term contribution from the General Fund is anticipated to be \$44,559,000 through 2070
- Projects will require long lead time to deliver due to revenue slowly building over time
 - We could expect a \$4,536,000 project in 2034



EIFD: Recommendation

It is recommended by the Departments of Planning and Economic Development and Finance that the Council, by resolution, set forth the maximum portion of the City's property tax increment to be included in the Downtown Enhanced Infrastructure Financing District's draft Infrastructure Financing Plan to fifty percent (50%) of the total property tax increment collected within the district's boundaries.

Questions and Comments

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