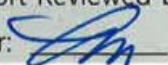


Agenda Report Reviewed by:
City Manager: 

CITY OF SEBASTOPOL
CITY COUNCIL
AGENDA ITEM

Meeting Date: December 5, 2023
To: Honorable Mayor and City Councilmembers
From: Vice Mayor Rich/Councilmember Zollman
Subject: Request for Creation of an Ad Hoc City Council Committee - Titled: Enhanced Infrastructure Financing District. An Enhanced Infrastructure Financing District (EIFD) allows 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. EIFDs are financed through tax increment generated from the growth in property taxes collected from within the designated district boundary. The item is to request creation of a Council sub-committee to work with the County in collaboration for strategies of financing public capital facilities and projects of communitywide significance
Recommendation: That the City Council approve the Ad Hoc City Council Committee, and if approved; make appointment(s) to the Ad Hoc Committee
Funding: Currently Budgeted: Yes No Not Applicable

Account Code: N/A

Costs authorized in City Approved Budget: Yes (Finance Initialed _____) No (Finance Exempt)

INTRODUCTION/PURPOSE:

This item is to request creation of an Ad Hoc City Council Committee - Titled: Enhanced Infrastructure Financing District and if approved, make appointment(s) to the Ad Hoc Committee.

BACKGROUND:

Each year, the City Council makes appointments to the various committees. Committees include:
1) City membership in a separate agency where the representative is a member of the governing board;
2) the City representative is a member of an advisory committee that makes recommendations to another public agency;
3) a Council member or Staff member is appointed as a liaison to a special committee;
4) other miscellaneous committees; and
5) Council created Ad Hoc or Standing Committees or Subcommittees

DISCUSSION:

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.

At a meeting on November 7, 2023, the Sebastopol City Council voiced support for the possibility of forming an EIFD as a way to assist in the assembly of public financing and leverage other funding sources for City infrastructure projects.

Vice Mayor Rich and Councilmember Zollman have been in conversations with Supervisor Lynda Hopkins about the potential benefits of an EIFD. Supervisor Hopkins has shared information and materials, and facilitated connections with County resources to assist in an understanding of the potential benefits of an EIFD.

Councilmember Zollman, in his role on the Council-appointed Library Ad Hoc Committee, has received and considered substantial additional information on EIFDs. City staff have also been involved in initial collection and assessment of materials on the topic

Supervisor Hopkins has encouraged this agenda item to be brought to the City Council, proposing the creation of an ad hoc committee to look into the possibilities, and has committed to working with the committee to gather the necessary information to bring back to the full Council for consideration and direction. Supervisor Hopkins has urged the early formation of the ad hoc, and has emphasized the need to work diligently and quickly in order to be positioned to benefit from Board of Supervisor actions expected to take place in early 2024.

The California Legislature authorized the formation of EIFDs through Senate Bill 628 in 2014, which has since been amended and is codified in Chapter 2.99 of Part 1 of Division 2 of Title 5 of the California Government Code (53398.50).

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. This allows an EIFD, for example, to issue bonds when sufficient tax increment has accrued to support debt servicing. 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.

EIFDs do not create new or additional taxes. As stated above, they collect property tax increments from existing taxes imposed by cities, counties, and special districts, subject to the agreement of those cities, counties and special districts.

It is anticipated that in early 2024 the Sonoma County Board of Supervisors will be considering a policy regarding the portion of County taxes the Board is willing to contribute to EIFDs.

The City of Santa Rosa is the only Sonoma County jurisdiction that has thus far moved forward with an EIFD. Please see their website [here. The Santa Rosa EIFD has been discussed by the Board of Supervisors a](#)

There are many questions that need to be inquired into and reported on for the City Council to move forward with an EIFD. Chief among the questions are the following:

1. What are the best EIFD district boundaries? Options might include Sebastopol City limits or a portion thereof, Sebastopol City plus portions of West Sonoma County, or perhaps different boundaries entirely.
2. What is the revenue generation potential from an EIFD, and how does the revenue from different district boundaries differ?
3. Are there other special districts that would be willing to contribute to an EIFD?
4. What projects might be considered as a focus for an EIFD?
5. What steps must the Council take in order to finalize an EIFD?
6. What is the timeline for finalizing an EIFD?
7. Is a consultant necessary for formation of an EIFD?
8. What cost to the City is associated with finalizing an EIFD?
9. How much City staff time would be needed to finalize an EIFD?
10. Is the County willing to contribute to a Sebastopol EIFD?
11. Plus other questions an ad hoc committee would encounter in their inquiries.

The following recommendations are offered regarding the proposed EIFD Ad Hoc Committee:

1. Scope of Ad Hoc Committee: The scope of the ad hoc would be to collect the initial information needed (see questions above) for the City Council to decide whether pursuing the formation of an EIFD is a prudent decision.
2. Reporting Obligations of Ad Hoc: It is recommended that the ad hoc committee make an initial written report to the City Council in January 2024, and as frequently thereafter as the ad hoc deems appropriate, but at least every two months.
3. Timeframe for Ad Hoc Committee: This is a short term committee, expected to be in place no longer than necessary and for a year at most.
4. Composition of Ad Hoc Committee:
 - a. Two Councilmembers
 - b. City Manager and Assistant City Manager
 - c. Other Staff as deemed appropriate by the already mentioned Ad Hoc Committee members.
5. Specific Coordination with County: It is recommended that the ad hoc committee be directed to actively coordinate with Supervisor Lynda Hopkins. Supervisor Hopkins has stated her willingness to make herself available to the ad hoc.

Vice Mayor Rich and Councilmember Zollman have expressed their willingness and interest in serving on this ad committee.

ENVIRONMENTAL REVIEW:

The proposed action is exempt Yes No from the requirements of the California Environmental Quality Act (CEQA)

GOALS:

This action supports the following City Council Goals and General Plan Actions:

CSF 1: Provide High Quality Community Services, facility and Infrastructure to All Residents, Business and Visitor in Sebastopol.

PUBLIC COMMENT:

As of the writing of this staff report, the City has not received any public comment. However, staff anticipates receiving public comment from interested parties following the publication and distribution of this staff report.

Such comments will be provided to the City Council as supplemental materials before or at the meeting. In addition, public comments may be offered during the public comment portion of the agenda item.

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PUBLIC NOTICE:

This item was noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to the scheduled meeting date.

FISCAL IMPACT:

There is no fiscal impact with the creation of an Ad Hoc Committee or appointment to said committee.

RECOMMENDATION:

That the City Council approve creation of an Hoc City Council Committee - Titled: Enhanced Infrastructure Financing District and if approved, make appointment(s) to the Ad Hoc Committee.

Attachments:

None