CITY OF SEBASTOPOL CITY COUNCIL
AGENDA ITEM REPORT FOR MEETING OF: December 2, 2025

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To:	Honorable City Councilmembers
From:	EIFD Ad Hoc Committee (Mayor Zollman/Councilmember Hinton/City Staff)
Subject:	Enhanced Infrastructure Financing District (EIFD) Feasibility Analysis Findings and Possible Adoption of Resolution of Intent to Form a Sebastopol EIFD

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RECOMMENDATION:
The purpose of this item is to submit to the City Council a report out from the EIFD Ad Hoc Committee to the City Council. The action for consideration tonight is as follows:

a) Receive an updated report from Kosmont on EIFD Feasibility Analysis Findings
b) City Council consideration of a Resolution of Intention to form the Sebastopol EIFD; or
c) Other direction as Council deems appropriate

EXECUTIVE SUMMARY:
An EIFD is a type of special purpose financing district that utilizes a portion of incremental property tax revenues from new development and property value growth in a specifically defined area to finance public capital facilities or other specified projects of communitywide significance (e.g., infrastructure, public amenities).

The Council appointed an EIFD Ad Hoc Committee, and part of its role is to provide the Council with answers to a variety of questions related to potential EIFD implementation in the City and unincorporated West County. Tonight's item is an updated report back to the Council on updated EIFD Feasibility and Fiscal Impact Analysis findings, along with alternatives for potential next steps.

If the City wishes to move forward with EIFD implementation, the feasibility and fiscal impact analysis is suggesting:

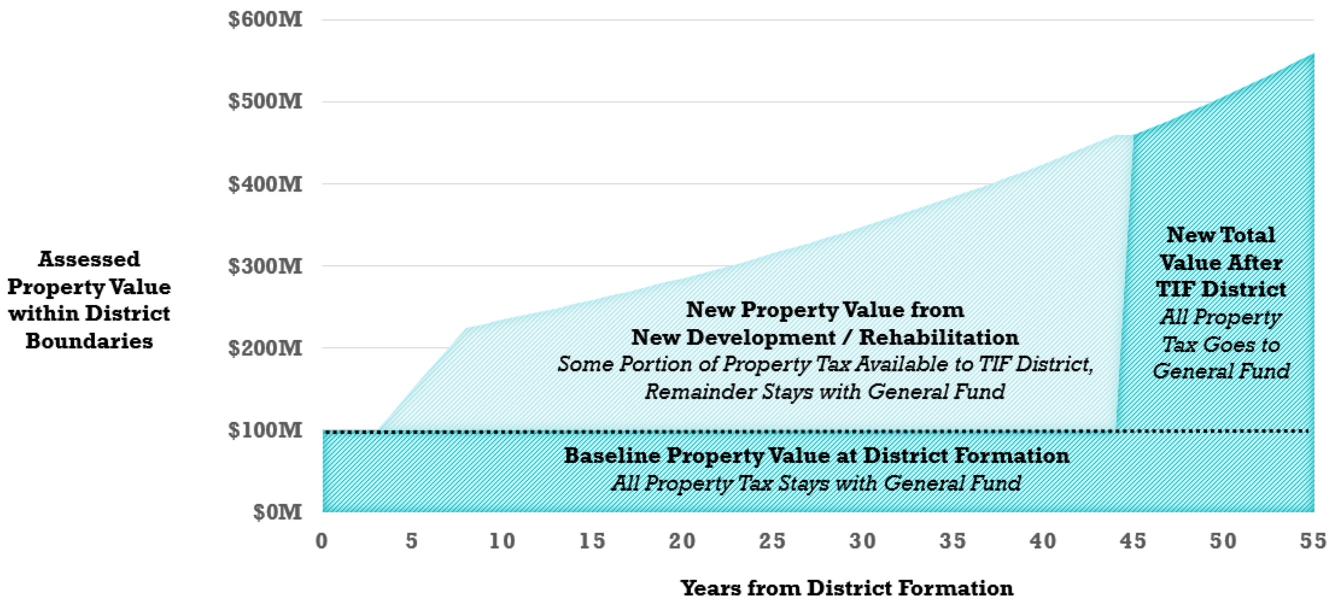
a) An EIFD boundary that is focused on the main corridors of the City;
b) A level of tax increment revenue allocation of 25% of the City's future share of property tax within the boundary, with a County dollar match; and
c) A broad and inclusive list of potential projects to be funded.

BACKGROUND:

As a result of the elimination of redevelopment agencies in California, the City of Sebastopol ("City") lost a tax increment financing ("TIF") tool to invest in public facilities supporting the development of communities. In 2014, SB 628 created a new TIF tool called the Enhanced Infrastructure Financing District (EIFD). EIFDs aid cities, counties, and other taxing entities in funding public facilities and other public investments to foster economic development, housing production, and climate resilience. By capturing tax increment revenue generated within the district as new development occurs and property values increase over time, similar to a redevelopment project area, a portion of tax increment revenue is redirected from participating taxing entities to the EIFD. Importantly, the establishment of EIFDs does not increase property taxes or any other taxes for landowners within or outside the EIFD boundaries.

Instead, part of future property tax revenues within the specific boundary are allocated to the EIFD on a voluntary basis from the City and any other taxing entities that approve, such as the County. Tax increment revenue is typically small in initial years until around year 5, at which point some EIFDs may issue bonds to be repaid by the tax increment revenue stream. Revenues typically continue to grow until district termination up to 45 years from the date of first EIFD bond issuance.

The following chart illustrates how TIF captures incremental assessed growth within an EIFD boundary (note these dollars are for illustrative purposes only).



The City has had several discussions regarding the potential of an EIFD in Sebastopol, including:

- November 7, 2023: City Council voiced support for the possibility of forming an EIFD
- December 5, 2023: Council formed an EIFD Ad Hoc Committee to collect the initial information needed for the City Council to decide whether pursuing the formation of an EIFD is a prudent decision.
- December 19, 2023: EIFD Ad Hoc provided an initial report, including an estimate of $50,000 for consultant costs to cover the initial stages of EIFD formation and information that Sonoma County Supervisor Lynda Hopkins would pursue a $50,000 funding request to support an EIFD evaluation if the EIFD under consideration were to include consideration of EIFD boundaries that extended beyond the City limits into unincorporated County jurisdiction. The Council confirmed its general interest in consideration of such an EIFD, but it did not take a formal vote.
- January 16, 2024: EIFD Ad Hoc provided an update that Supervisor Hopkins was able to secure the $50,000 funding allocation to cover consultant costs for the initial stages of EIFD evaluation, with the understanding that receipt of this funding allocation will be conditioned on the City agreeing that the EIFD process will include evaluation of EIFD boundaries within District 5 including but not limited to, consideration of an EIFD to include unincorporated West Sonoma County (in addition to City jurisdiction). The agenda item included additional information on EIFD background, EIFD eligible projects broadly, information about current discussions between the City of Santa Rosa and County of Sonoma about the proposed Santa Rosa EIFD, preliminary projections from Sonoma County Auditor-Controller for hypothetical EIFD scenarios within the City of Sebastopol and unincorporated Supervisorial District #5, examples of potential EIFD infrastructure projects within the City of Sebastopol, and a targeted EIFD implementation timeline, culminating in EIFD formation by end of summer 2025.
- September 3, 2024: EIFD Ad Hoc provided an update to City Council in collaboration with Kosmont

Companies, the EIFD advisory firm that was procured by the City in July 2024 (with County funding) through a competitive bidding process. Kosmont provided a review of TIF and EIFD fundamentals and facilitated a discussion with the City Council of potential infrastructure projects that could benefit from EIFD funding. Kosmont additionally shared perspective regarding alternative approaches to defining EIFD boundaries and property tax increment revenue allocation scenarios.

- November 19, 2024: EIFD Ad Hoc provided an update to City Council on the EIFD Feasibility Analysis along with alternatives for next steps, where Council determined that it would be prudent to further analyze the future City (and County) General Fund fiscal impacts, prior to considering a Resolution of Intention and embarking on EIFD formation proceedings.
- **February 18, 2025**: City Council approved a contract amendment with Kosmont to advance the preparation of the City and County General Fund Fiscal Impact Analysis to inform Council's future consideration of a Resolution of Intention to form the Sebastopol EIFD.
- **June 3, 2025**: County Board of Supervisors received an update presentation with preliminary fiscal impact analysis findings. Direction was given for Kosmont to continue evaluation of two different potential EIFDs (one within the City of Sebastopol and one entirely within unincorporated West County) and bring back potential next steps at a future meeting of the Board of Supervisors.
- **October 14, 2025**: County Board of Supervisors received an update presentation with refined fiscal impact analysis findings. The Board of Supervisors approved a Resolution of Intention to form an Unincorporated West County EIFD. While the Board's action takes the potential for a joint City/County EIFD off the table, the City may still establish a separate Sebastopol EIFD within City limits.

DISCUSSION:

Kosmont's EIFD Feasibility Analysis focused on three primary considerations for potentially forming an EIFD in the City of Sebastopol (and unincorporated West Sonoma County):

a) EIFD boundary alternatives: Evaluation of multiple potential EIFD boundary alternatives within the City, as well as portions of unincorporated County jurisdiction within the Fifth Supervisorial District;

b) Revenue allocation scenarios: Multiple scenarios of City and County property tax increment allocation evaluated for each boundary alternative, along with corresponding funding and bonding capacity;

c) Targeted infrastructure projects eligible for funding: Input solicited on potential projects to be considered for EIFD funding from EIFD Ad Hoc Committee, Sept 3rd City Council meeting, and Sept 25th West County joint Municipal Advisory Committee (MAC) meeting.

The attached exhibits provide greater detail on boundary alternatives and revenue allocation scenarios evaluated, as well as the potential infrastructure projects to be eligible for funding based on outreach and input thus far.

SUMMARY:

In summary, the EIFD Feasibility Analysis concluded the following:

A. EIFD Boundary

Kosmont's analysis compared two different EIFDs for City and County consideration to support City and County general fund strength and equitable representation in the governing board composition:

1. Focused Corridor boundary within the City (City and County financial participation for projects within City);
2. Larger unincorporated West County area (only County financial participation for projects outside of City).

Kosmont's analysis suggests two separate EIFDs (one City EIFD and one unincorporated County EIFD), as opposed to a single EIFD, because community outreach thus far has indicated a clear need for transparency, balance, and equity in the future EIFD funding allocation and decision-making authority between the unincorporated County and the City. Kosmont received input from stakeholders to the effect that funding projects within the City should come from revenues generated within the City, and decision-making authority related to projects within the City should be more heavily weighted with City representation. Similarly, Kosmont received input from stakeholders to the effect that funding for projects in unincorporated West County should come from revenues generated in unincorporated West County, and decision-making authority related to projects in unincorporated West County should be more heavily weighted with unincorporated West County representation. Finally, at their October 14th meeting, the Sonoma County Board of Supervisors adopted a Resolution of Intent to establish a separate (Unincorporated County only) EIFD, leaving the door open for the City to adopt a similar Resolution of Intention to establish a City-only EIFD.

As it relates to a potential EIFD within the City, Kosmont is suggesting an EIFD boundary (see Exhibit A to Resolution) focused along the main transportation corridors within the City (Gravenstein Highway, Healdsburg Avenue, Bodega Avenue, Sebastopol Avenue), where future development is planned or proposed, which will provide the largest increases in assessed property values. This level of focus is suggested to balance the available funding capacity of an EIFD on the one hand, with the needs of the General Fund to provide ongoing municipal services for the community on the other hand. EIFD boundaries that are too large can over-encumber the future property tax revenues of the General Fund and prove fiscally unsustainable.

The second EIFD in unincorporated West County will have no impacts on the City of Sebastopol.

<u>B. Revenue Allocation</u>

The Feasibility Analysis found that the City should only consider an EIFD revenue allocation scenario where (1) the City receives a match from the County for every dollar allocated to the EIFD by the City (i.e., bringing in net new dollars for projects in the City), and (2) the level of City allocation is fiscally sustainable for the City General Fund. An example of this scenario is the "25% City allocation and County Dollar Match" scenario evaluated by Kosmont.

The County can independently choose its revenue allocation outside of City limits for County projects, with no financial implications for the City.

The above considerations mirror the approach outlined in the County's EIFD Participation Policy, where a finding that the EIFD will have a net positive general fund fiscal impact is required as a precondition to County participation in an EIFD.

Between February 2025 (last EIFD presentation to City Council) and present, Kosmont prepared the requested City and County General Fund fiscal impact analysis, which finds that the currently proposed boundary (focused corridor within the City) and tax increment allocation levels (25% City / 25% County) support a **<u>positive</u>** net fiscal impact to both the City and County General Funds.

It is important to note that while an EIFD can be modified or dissolved in the future by City Council and Public Financing Authority action (e.g., Infrastructure Financing Plan amendment process), if/when dollars are pledged to an EIFD obligation such as an EIFD bond issuance, the dollars are "locked in" and no longer available to the General Fund.

C. Targeted Infrastructure Projects to be Eligible for Future EIFD Funding

At this early stage in the potential formation of 45-50 year financing district, Kosmont is suggesting that the list of infrastructure projects to be considered for future EIFD funding remain inclusive, encompassing outreach and feedback thus far (e.g., library expansion, parks and recreation improvements, flood control, water/sewer needs). In the future, if the City were to continue with EIFD formation, better practices to consider include contemplation of a framework for prioritization of projects for funding in the future, such as projects that catalyze private sector investment and/or deliver significant public benefit.

Thus, if the City wishes to move forward with EIFD implementation, the Feasibility and Fiscal Impact Analysis is suggesting:

a) An EIFD boundary that is focused on the main corridors of the City;
b) A level of tax increment revenue allocation of 25% of the City's future share of property tax within the boundary, with a County dollar match; and
c) A broad and inclusive list of potential projects to be funded.

Potential Next Steps

Subject to City Council discussion and input, alternative next steps primarily include:

1. Consideration of a Resolution of Intention by the City Council, expressing intention to continue down the path of EIFD formation.
2. Delay consideration of the Resolution of Intention until a future date.
3. Abandon pursuit of an EIFD within the City.

If the City Council adopted a Resolution of Intention, Kosmont would work in parallel with County staff and Fifth District representatives to bring a Resolution of Intention before the County Board of Supervisors for consideration to be a partner to the City in the EIFD.

As part of the consideration by the City Council and County Board of Supervisors of their Resolutions of Intention, each agency would be appointing its representation on the governing Public Financing Authority, which would include at least two members of the City Council, at least one member of the County Board of Supervisors, and at least two members of the public appointed by the City Council or County Board of Supervisors.

Beyond consideration of City and County Resolutions of Intention, potential next steps for EIFD implementation would include:

- Preparation of the guiding Infrastructure Financing Plan (memorializes key terms such as tax increment allocation percentages, maximum dollar allocations, general fund impacts, and eligible projects for funding)
- A series of required public meetings and hearings on the draft Infrastructure Financing Plan
- Future independent approval by the City Council and County Board of Supervisors
- Administrative filings with the State Board of Equalization.

These tasks are beyond the currently approved consultant scope of work and subject to identification of funding from the City and/or County (potentially reimbursable from future EIFD revenues). It is estimated that EIFD formation could be completed in calendar year 2026, subject to continued desire and support by the City Council and County Board of Supervisors. The one-time costs for these formation activities are estimated in the range of $55,000 to $75,000.

After district formation, it would be expected that City staff time continue to be dedicated to the annual reporting and administration requirements of the EIFD, potentially collaborating with County staff and a third-party financial consultant (potentially payable from ongoing EIFD revenues).

In all cases, further evaluation and implementation of an EIFD would require continued collaboration and coordination with the County, as the Feasibility Analysis has concluded that County partnership is a key factor for implementation feasibility.

COMMUNITY OUTREACH:

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. EIFD Feasibility Analysis community outreach thus far was focused during the September 3rd 2024, November 19th 2024, and February 18th 2025 meetings of the City Council, the September 25th joint Municipal Advisory Committee meeting in unincorporated West Sonoma County, and a June 3rd regular meeting of the Sonoma County Board of Supervisors. If an EIFD is ultimately implemented, public information will continue to be an important part of the formation process. A dedicated web page would be developed that would serve as a resource to interested stakeholders. Landowners and residents within the EIFD boundaries would also receive mailed notifications of public meetings and hearings throughout the formation process, and public hearings would additionally be advertised via local newspaper. In the event of a majority protest by property owners or residents within the boundaries, the formation proceedings would be discontinued.

PUBLIC COMMENT:

As of the writing of this staff report, apart from feedback from community outreach efforts outlined above, the City has not received any public comment. However, if staff receives 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 this item.

FISCAL IMPACT:

Consultant work for the EIFD feasibility evaluation is being funded by the $50,000 County allocation procured by Supervisor Hopkins, and an additional allocation of $15,000 split evenly between the City and the County. If an EIFD is ultimately established, there would be no decrease in the amount of property tax revenue the General Fund receives; however, a portion of future City property tax increment from within the approved EIFD boundary would be restricted to fund targeted infrastructure investments in the City to catalyze economic development and provide public benefit. Further information regarding fiscal impacts is required to be analyzed as part of the preparation of the ultimate Infrastructure Financing Plan, which would be presented to the City Council, County Board of Supervisors, and EIFD Public financing Authority in future meetings for approval, prior to any binding actions for EIFD formation.

RECOMMENDATION:

The purpose of this item is to submit to the City Council an updated report out from the EIFD Ad Hoc Committee to the City Council. The action for consideration tonight is as follows:

a) Receive an updated report from Kosmont on EIFD Feasibility Analysis Findings;
b) City Council consideration of a Resolution of Intention to form the Sebastopol EIFD; or
c) Other direction as Council deems appropriate.

ATTACHMENTS:

- Updated Report with EIFD Feasibility Analysis Findings

- Draft Resolution of Intention with Exhibits

APPROVALS:
Department Head Approval: Approval Date: __11/25/25_______
CEQA Determination (Planning): na Approval Date: __11/25/25_______

The proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and no further environmental review is required.

Administrative Services/Financial Approval: Approval Date: _11/25/25_____________
Costs authorized in City Approved Budget: ☐ Yes ☐ No ☑ N/A (Future budget impacts are not known at this time and are dependent on City Council direction)
Account Code (if applicable) ___________________________
City Attorney Approval: Approval Date: __11/25/25____________
City Manager Approval: Approval Date: __11/25/25____________

City of Sebastopol and County of Sonoma Enhanced Infrastructure Financing District (EIFD) Feasibility and Fiscal Impact Analysis Summary

December 2, 2025

Kosmont Companies
El Segundo, CA
www.kosmont.com | @KosmontTweets

EIFD Feasibility Analysis Background

- City Council expressed interest in forming an EIFD in Nov 2023 and formed EIFD Ad Hoc Committee
- County Fifth District Supervisor Hopkins procured funding for EIFD evaluation for City and West County
- Kosmont Companies selected as consultant through competitive procurement process
- **EIFD boundary alternatives** – Multiple scenarios of EIFD boundary evaluated within the City and in unincorporated West County jurisdiction
- **Revenue allocation scenarios ($$$)** – Multiple scenarios of City and County property tax increment allocation evaluated for each boundary alternative, along with corresponding funding and bonding capacity
- **Targeted infrastructure projects eligible for funding** – Input solicited on potential projects to be considered for EIFD funding from EIFD Ad Hoc Committee, Sept 3rd City Council meeting, and Sept 25th West County joint Municipal Advisory Committee (MAC) meeting

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Findings from Previously Completed Feasibility Analysis

a) **EIFD boundaries** – Ultimately suggesting two different EIFDs for City and County consideration to support equitable representation in the governing board composition:
   1. Focused Corridor within the City (City and County participation for projects within City)
   2. Larger unincorporated West County area (only County participation for projects outside of City)

b) **Revenue allocation ($$$)** – Suggesting City only considers a scenario with a County dollar match, and at a fiscally sustainable level for the City General Fund (e.g., 25% City allocation + County dollar match); County can independently choose its revenue allocation outside of City limits for County projects

c) **Targeted infrastructure projects eligible for funding** – Suggesting to keep the list inclusive, encompassing outreach and feedback thus far, and potential future additional outreach, but contemplate a framework for prioritization in the future, such as projects that catalyze private sector investment and/or deliver significant public benefit

Desire and Scope of Fiscal Impact Analysis

- At the November 2024 meeting of the City Council, Council directed staff and Kosmont to further evaluate the potential impacts of EIFD implementation on the General Fund, prior to proceeding with a Resolution of Intention (ROI) to form an EIFD

- County EIFD Participation Policy also calls for a [County] General Fund fiscal impact analysis, prior to EIFD implementation

- Kosmont draft fiscal impact analysis shows that the currently proposed boundary (focused corridor within the City) and tax increment allocation levels (25% City / 23% County) support a **positive** net fiscal impact to both the City and County General Funds

- If the City wished to proceed with EIFD formation, next steps would include consideration of Resolution(s) of Intention by City Council and County Board of Supervisors

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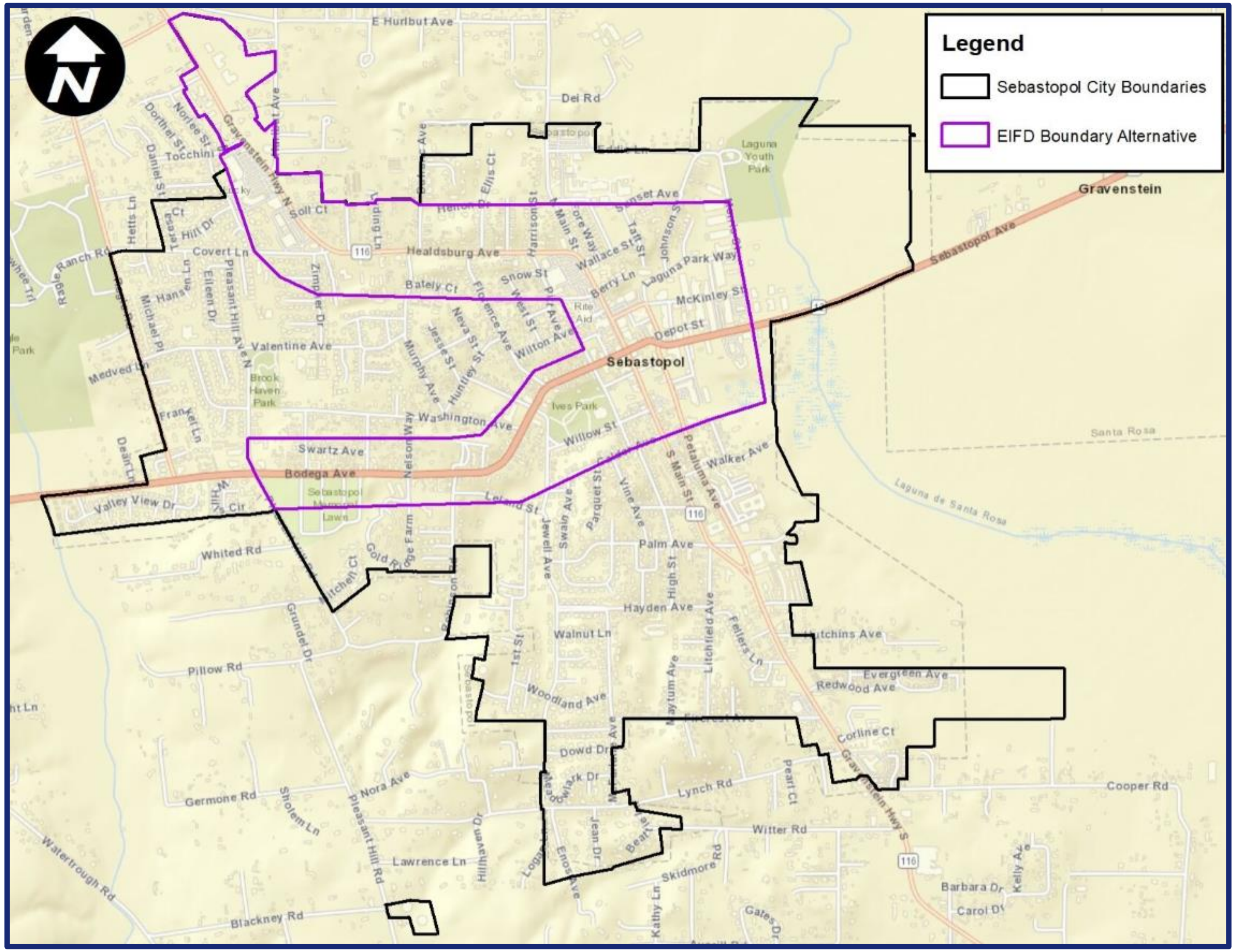
Corridor-Focused EIFD Boundary Alternative

- Focus on development opportunity sites
- Approx. 290 acres (~24% of City)
- Approx. $615M in existing assessed property value (~39% of City)



Source: Parcel Quest, ArcGIS, Kosmont Companies (2024)

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Suggested EIFD Revenue Allocation Scenario

Corridor-Focused Boundary

EIFD Year	City 25% Allocation	County Match	Total Allocation
Year 1	$21,923	$21,923	$43,846
Year 2	$44,870	$44,870	$89,739
Year 3	$68,882	$68,882	$137,764
Year 4	$94,004	$94,004	$188,007
Year 5	$120,279	$120,279	$240,558
Year 6	$133,599	$133,599	$267,198
Year 7	$147,318	$147,318	$294,637
Year 8	$161,449	$161,449	$322,899
Year 9	$176,004	$176,004	$352,009
Year 10	$190,996	$190,996	$381,992
Year 1-50 Total	**$28,184,897**	**$28,184,897**	**$56,369,794**
Year 1-50 Present Value	**$10,702,005**	**$10,702,005**	**$21,404,011**

Present value at 3% discount rate

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Future Development Assumptions

Absorption Assumed over 5-10 Years

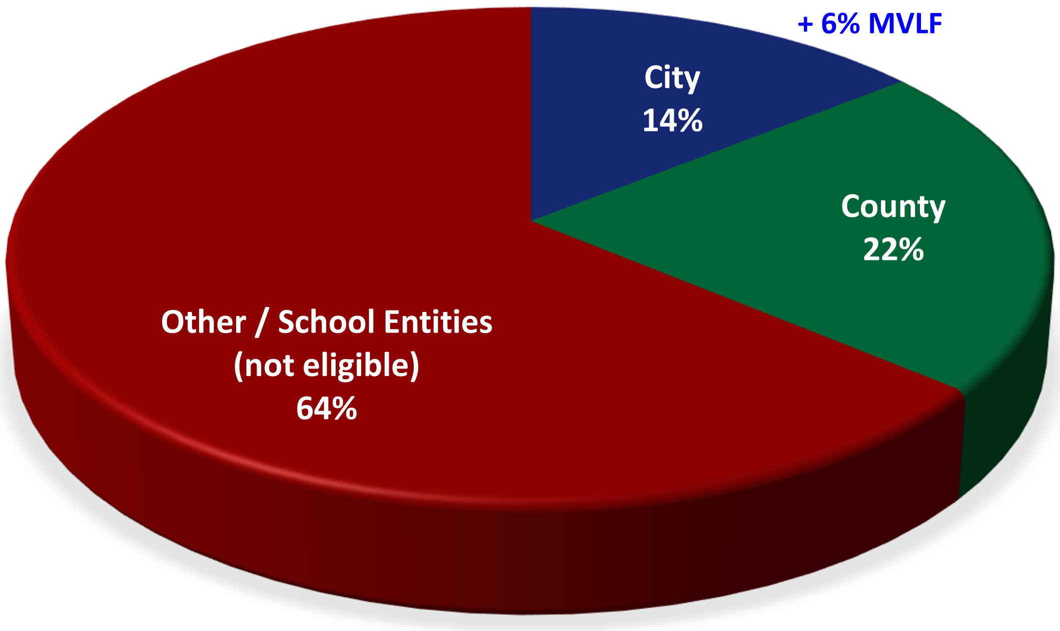
Area	# SF or Units	Estimated AV Factor	Estimated Total AV at Buildout
Residential (Rental)	12 units	$325K per unit	$3.9 million
Residential (For Sale)	106 units	$550K per unit	$58.3 million
Residential (Affordable)	134 units	*property tax-exempt*	$0
Hotel	147 rooms	$350K per room	$51.5 million
Total New Development Assumed within EIFD Study Area			**$113.7 million**

Note: AV at buildout values in current 2024 dollars
Sources: City of Sebastopol Building and Development Projects, CoStar (2024)

Property Tax Revenues Available to EIFD

- Primary non-school recipients and potential contributors of property tax are **City of Sebastopol** and **County of Sonoma**
- City share varies by area and averages ~**14%** of every $1 collected in property taxes within the EIFD Study Area
  - City additionally receives equivalent of ~**6.0%** of property tax in lieu of motor vehicle license fees (MVLF), also available to EIFD
- County General Fund share varies by area and averages ~**22%**
  - County additionally receives property tax in lieu of MVLF, also available to EIFD, but not incorporated into this analysis to be conservative
- School-related entities <u>cannot</u> participate

Weighted Average Property Tax Distribution within EIFD Study Area



As counties tend to rely more heavily on property tax revenue sources generated by new development within incorporated jurisdictions, it is Kosmont's experience that it is not reasonable to assume allocation of property tax in lieu of MVLF by the County. As cities benefit from additional non-property tax revenue sources (e.g., sales tax, transient occupancy tax) from new development, it is Kosmont's experience that it is reasonable for cities to consider contributing property tax in lieu of MVLF.

Tax Rate Area (TRA) weighted average distributions for EIFD Study Area shown. Post-ERAF (Education Revenue Augmentation Fund) distribution.

Source: Sonoma County Auditor Controller (2024), City of Sebastopol FY24-25 Budget

EIFD Revenue and Bonding Capacity Scenarios

Corridor-Focused Boundary

EIFD Revenue Allocation Scenario	Year 5 Accumulated Revenue + Bonding Capacity*	Year 10 Accumulated Revenue + Bonding Capacity*	50-Year Present-Value @ 3% Discount Rate	50-Year Nominal Total
A) City 25%	$689,000	$2,087,000	$10,702,000	$28,185,000
B) City 50%	$2,041,000	$4,837,000	$21,404,000	$56,370,000
C) City 25% + County Dollar Match (~23% of County Share)	$2,041,000	$4,837,000	$21,404,000	$56,370,000
D) City 50% + County Dollar Match (~46% of County Share)	$4,744,000	$10,336,000	$42,808,000	$112,740,000

City allocation includes allocation from both AB8 + MVLF in-lieu. County allocation does not include MVLF in-lieu.
** Bonding capacity assumes Year 5 is first bond issuance for EIFD. "Year 5 means fifth year of revenue following district formation. Net proceeds shown. Bondable revenue assumes $25,000 admin charge, 150% debt service coverage. 6.0% interest rate; 30-year term. Proceeds net of 2% underwriter's discount, estimated reserve fund (maximum annual debt service), costs of issuance estimated at $350,000.Source: Kosmont Financial Services (KFS), registered Municipal Advisor.*

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Public Agency "Return on Investment"

- Housing, including affordable housing
- Revitalized Downtown, public amenities, quality of life
- Estimated Job creation, wages:
  - **135 permanent jobs** in City and County and **$7.9M** in related wage income
  - **1,033 temporary construction-related jobs*** in City and County and **$87.5M** in related wage income
- Acceleration of development and related fiscal revenues:
  - **$19.1 million** in present value **fiscal benefit** for CITY general fund over 50 years, net of tax increment contribution to EIFD and net of estimated fiscal expenditures
  - **$1.3 million** in present value **fiscal benefit** for COUNTY general fund over 50 years, net of tax increment contribution to EIFD and net of estimated fiscal expenditures
- Attract other funding (e.g., grants)

* Construction job-years, where one job-year is defined as one year of employment for one individual; all figures approximated

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City and County General Fund Fiscal Impacts
Over Life of EIFD

	Year 10 Snapshot	Year 0-50 Nominal Total	Year 0-50 Present Value @ 3.0%
City of Sebastopol			
Estimated Fiscal Revenues (Net of EIFD Allocation)	$1,515,504	$127,514,700	$52,149,800
Estimated Fiscal Expenditures	$954,100	$80,970,400	$33,082,900
Estimated Net Fiscal Impact to City	**$561,404**	**$46,544,300**	**$19,066,900**
County of Sonoma			
Estimated Fiscal Revenues (Net of EIFD Allocation)	$303,900	$25,797,800	$10,540,600
Estimated Fiscal Expenditures	$243,400	$20,649,600	$8,437,500
Estimated Net Fiscal Impact to County	**$60,500**	**$5,148,200**	**$2,103,100**

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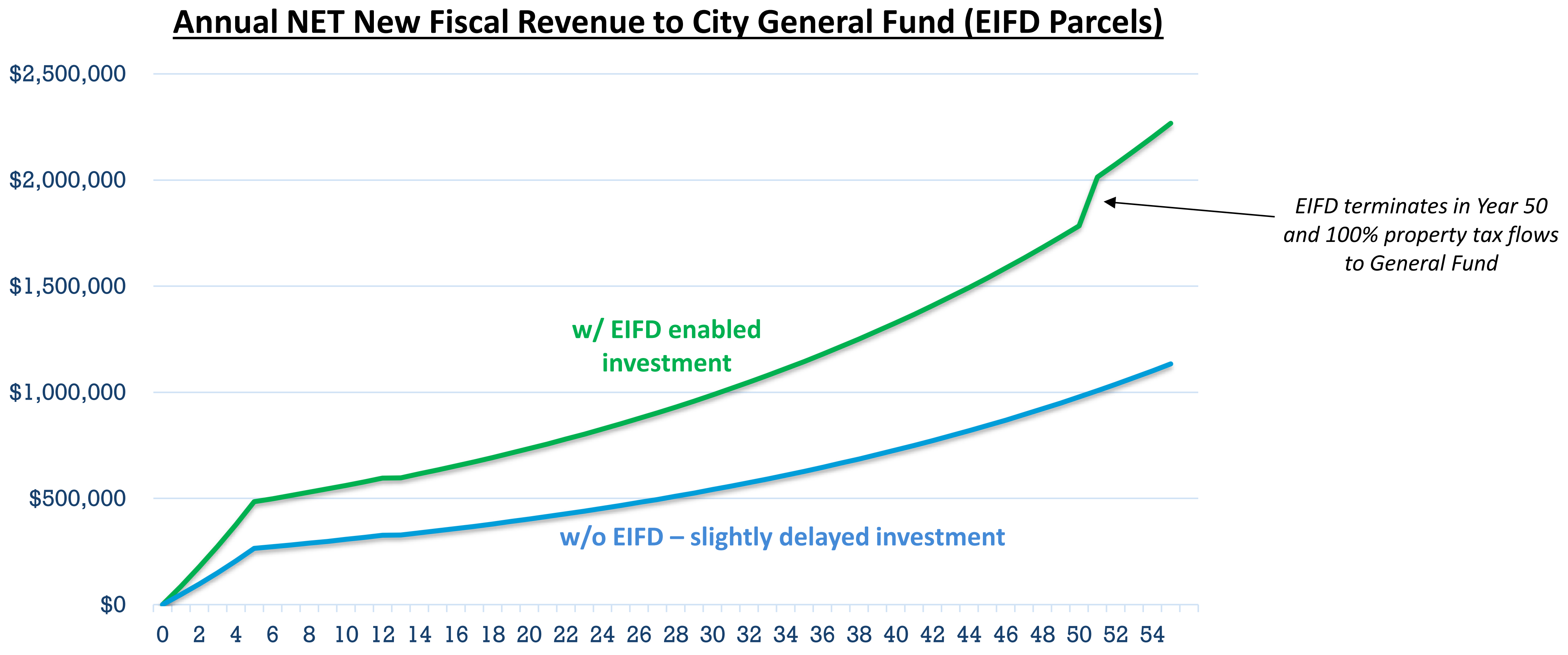
Fiscal Return on Investment for City

Net Fiscal Impact – EIFD vs. "Do-Nothing" Scenario



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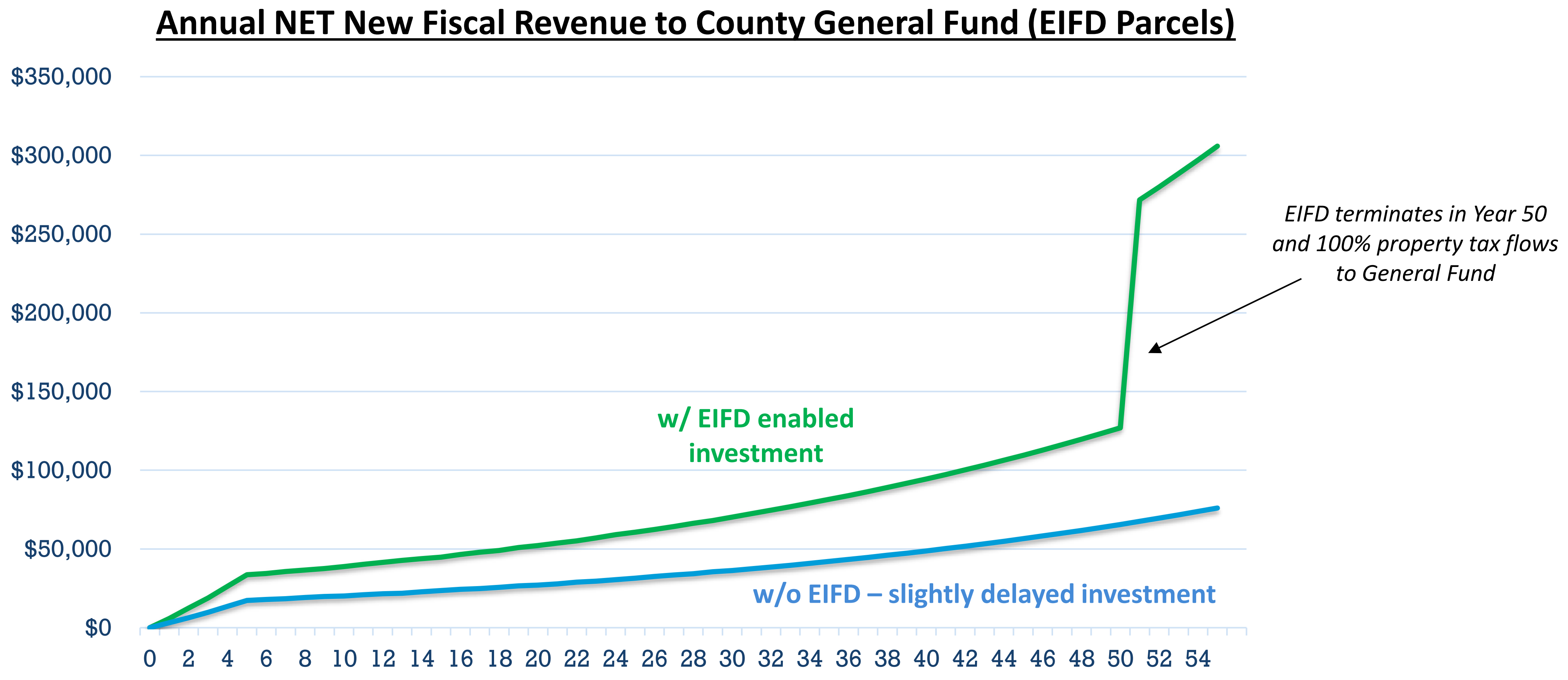
Fiscal Return on Investment for County

Net Fiscal Impact – EIFD vs. "Do-Nothing" Scenario



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Potential EIFD Infrastructure Projects within the City

(Informed by prior City Council discussion)

- City library expansion
- City Hall complex
- City Parks improvements
- Traffic / roadway improvements (e.g., roundabouts)
- Community pool
- Remodel / relocation of Community Center
- Improvements to support reimagining Downtown
- Downtown Corridor pedestrian connectivity enhancements
- Flood control improvements
- Various unfunded roadway, bicycle, traffic signalization improvements
- Various unfunded water and sewer improvements (e.g., new wells)
- Affordable housing
- Potential new power utility
- Fire house
- Improvements to support future development in Urban Growth Boundary

Agenda Item Number: 10

Potential EIFD Formation Schedule

Target Date	Task
Sept 2024 – Feb 2025	a) Conduct outreach / discussion among City staff and Council, County staff and Board of Supervisors, other relevant stakeholders, reports out from the EIFD Ad Hoc Committee b) Determination of potential EIFD boundaries, eligible projects, possible range of tax increment allocation scenarios
March – August 2025	c) City and County General Fund Fiscal Impact Analysis and discussions to inform "go / no-go"
Dec 2025 –Feb 2026	d) City Council / County Board of Supervisors consider Resolution(s) of Intention (ROI) to form district and formally establish Public Financing Authority (PFA) Board
Mar / Apr 2026	e) PFA directs the drafting of the Infrastructure Financing Plan (IFP)
June 2026	f) Distribute draft IFP to property owners, affected taxing entities, City Council, County Board of Supervisors, planning commission
July 2026	g) PFA holds an initial public meeting to present the draft IFP to the public and property owners, hear written and oral comments, but take no action (at least 40 days after "f")
August 2026	h) City Council / County Board of Supervisors consider resolution(s) approving IFP
September 2026	i) PFA holds first public hearing to hear written and oral comments and take action to modify or reject IFP (e.g., based on City Council / County Board feedback), if appropriate (at least 30 days after "g")
October 2026	j) PFA holds second public hearing to conduct protest proceedings and consider action accordingly to terminate proceedings or adopt IFP and form the EIFD by resolution (at least 30 days after "i")
November 2026	k) Administrative filings with State Board of Equalization

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Development
Entitlements

Agenda Item Number: 10

Potential Next Steps

- Consider Resolution of Intention (ROI) to form the Sebastopol EIFD
- Delay consideration of ROI to a future date
- Abandon pursuit of EIFD

kosmont companies
Real Estate
Finance/Economics
Development
Entitlements

Agenda Item Number: 10

RESOLUTION NO. 2025 - XXX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEBASTOPOL DECLARING ITS INTENTION TO ESTABLISH THE SEBASTOPOL ENHANCED INFRASTRUCTURE FINANCING DISTRICT TO FINANCE THE CONSTRUCTION, REPAIR, ACQUISITION, AND/OR MAINTENANCE OF CAPITAL IMPROVEMENTS AND FACILITIES, INCLUDING THE ACQUISITION AND/OR REMEDIATION OF LAND FOR SUCH IMPROVEMENTS AND FACILITIES; ESTABLISHING A PUBLIC FINANCING AUTHORITY; AND AUTHORIZING CERTAIN OTHER ACTIONS RELATED THERETO

WHEREAS, SB 628, effective as of January 1, 2015, allows a city or county to create a separate government entity known as an "Enhanced Infrastructure Financing District" (EIFD) within a defined area to finance certain infrastructure projects with community-wide benefits; and

WHEREAS, pursuant to Chapter 2.99 of Part 1 of Division 2 of Title 5 of the California Government Code (commencing with Section 53398.50) (the "EIFD Law"), the City Council of the City of Sebastopol ("Council") is authorized to initiate the process to establish an EIFD; and,

WHEREAS, EIFDs are financed through tax increment generated from the growth in property taxes collected from within a designated district boundary. There are no new taxes or impacts to the property owner within an established EIFD; and,

WHEREAS, EIFD tax increment may be used to pay for a variety of public facilities and other projects authorized by the EIFD Law within the established EIFD boundaries or outside of the established EIFD boundaries if there is a tangible connection to the work of the EIFD, including but not limited to infrastructure such as roads, utilities, streetscapes, parks and public recreation, or other community facilities. Funding may also be used to facilitate public-private activities by enticing development with infrastructure development and expansion, including new industrial-manufacturing facility construction and repair, and brownfields remediation. Affordable housing, including affordable senior housing, is also an eligible activity; and,

WHEREAS, the City retained Kosmont & Associates, Inc. DBA Kosmont Companies through a competitive procurement process as a consultant to prepare an evaluation of EIFD implementation feasibility, paid for with County of Sonoma funding procured by Fifth District Supervisor Lynda Hopkins; and,

WHEREAS, the prerequisites set forth in Government Code Section 53398.54 have been complied with prior to the City initiating the creation of or participating in the governance of the EIFD, and the City will provide the required certification to the California Department of Finance ("DOF") in accordance with the EIFD Law; and,

WHEREAS, the proposed boundaries of the Sebastopol EIFD are identified on Exhibit A entitled "Proposed Sebastopol EIFD Boundary", a copy which is on file in the office of the City Clerk; and,

WHEREAS, the EIFD will be governed by a Public Financing Authority ("PFA") board which will be responsible for implementing the Infrastructure Financing Plan for the EIFD ("IFP"), and the PFA is required to be established by the City Council at the same time that the Council adopts its intention to form the proposed EIFD; and,

WHEREAS, this action is exempt from the California Environmental Quality Act (“CEQA”) as an action solely related to financing and is not in-and-of itself a “project” (pursuant to CEQA Guidelines Section 15378) since it does not result in a physical change in the environment because the City has not committed itself to fund any specific projects through the EIFD. However, future actions (such as the funding and/or approval of infrastructure improvements using funding from the EIFD) will be subject to environmental review in accordance with CEQA.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SEBASTOPOL HEREBY RESOLVES AS FOLLOWS:

Section 1. The City Council of the City of Sebastopol proposes and intends to cause the establishment of an EIFD under the provisions of the EIFD Law.

Section 2. The name proposed for the EIFD shall be the “Sebastopol Enhanced Infrastructure Financing District.”

Section 3. The proposed boundaries of the EIFD are as shown on Exhibit A attached hereto, which are preliminarily approved and on file in the office of the City Clerk and incorporated herein by reference.

Section 4. The types of public facilities and development proposed to be financed or assisted by the EIFD pursuant to the EIFD Law are those listed on Exhibit B, attached hereto and incorporated herein by reference.

Section 5. The City Council hereby finds that the EIFD is necessary for the area within the boundaries of the EIFD and the City. The City Council's stated goals for the EIFD are to create a means by which to assist in the provision of public facilities or other specified projects of communitywide significance that provide significant benefits to, promote economic development of, and enhance quality of life within, the boundaries of the EIFD or the surrounding community.

Section 6. The City Council hereby declares that, pursuant to the EIFD Law and if approved by resolution pursuant to Government Code Section 53398.68, incremental property tax revenue from the City of Sebastopol and some or all other affected taxing entities within the EIFD may be used to finance the activities described in Section 4 and listed on Exhibit B. The incremental property tax financing will be described in an IFP to be prepared for approval by the PFA, the City Council, and the legislative bodies of all participating taxing entities under EIFD Law.

Section 7. The City or County of Sonoma may allocate tax revenues derived from local sales and use taxes imposed pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law (Part 1.5 (commencing with Section 7200) of Division 2 of the Revenue and Taxation Code) or transactions and use taxes imposed in accordance with the

Transactions and Use Tax Law (Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code) to the EIFD pursuant to Government Code Section 53398.75.5, if applicable. The City Council does not intend to contribute sales and use taxes or transactions and use taxes to the EIFD.

Section 8. The City Council hereby establishes the "Public Financing Authority of the Sebastopol Enhanced Infrastructure Financing District" to serve as the governing board of the EIFD:

A. The PFA membership shall be comprised initially of three members of the City Council appointed by the City Council and two public members selected by the City Council. Members shall serve at the pleasure of the City Council, as the case may be, and shall serve until their successor assumes office.

B. The City Council further declares that, pursuant to Government Code Section 53398.51.1, should another taxing entity agree to participate as a taxing entity, then the PFA membership shall be modified in accordance with Government Code Section 53398.51.1. For example, if the County of Sonoma ("County") agrees to participate as a taxing entity and the participating taxing entities consist of the City and the County, then the PFA membership shall be modified to be two members of the City Council, one member of the County Board of Supervisors ("Board of Supervisors"), one member of the public appointed by the City Council, and one member of the public appointed by the Board of Supervisors. Members shall serve at the pleasure of their respective appointing legislative bodies and shall serve until their successor assumes office.

C. The legislative body of each participating taxing entity may appoint one of its members to be an alternate member of the PFA board who may serve and vote in place of a member who is absent or disqualifies themselves from participating in a meeting of the PFA.

D. The members are subject to compliance with the EIFD Law and all applicable ethics laws, including Article 2.4 (commencing with Section 53234) of Chapter 2 of the Government Code.

E. The City Council, and the governing bodies of any other participating entities shall comply with Government Code Section 54974.

Section 8. The City Council hereby sets the time and place for a public hearing of the PFA, the proposed EIFD and IFP, to be held on July 7, 2026, at 5:00 p.m., or as soon thereafter as the matter may be heard, at City Hall Council Chambers, 7120 Bodega Ave, Sebastopol, CA 95472.

Section 9. Pursuant to Government Code Section 53398.60, the City Clerk is hereby directed to mail a copy of this Resolution to the PFA and each owner of land (as defined in the EIFD Law), or alternatively with respect to the owners of land may mail a single-page notice of intention identified in Government Code Section

53398.60(b), within the EIFD and to each affected taxing entity (as defined in the EIFD Law). In addition, the City Clerk is hereby directed to cause notice of the public hearing to be published not less than once a week for four successive weeks in a newspaper of general circulation published in the City. The notice shall state that the EIFD will be used to finance public works, briefly describe the facilities, briefly describe the proposed financial arrangements, including the proposed commitment of incremental tax revenue, describe the boundaries of the proposed EIFD and state the day, hour, and place, when and where any persons having any objections to the proposed IFP, or the regularity of any of the prior proceedings, may appear before the PFA and object to the adoption of the proposed IFP.

Section 10. As it pertains to EIFD formation prerequisites as stated in Government Code Section 53398.54, it is noted that the former Redevelopment Agency of the City of Sebastopol, designated as the Community Development Agency of the City of Sebastopol, was dissolved in accordance with Assembly Bill 26 (ABX1 26), and that the Successor Agency to the Redevelopment Agency is no longer in existence as of the effective date of this Resolution, after having received a finding of completion, as specified in California Health and Safety Code Section 34179.7.

Section 11. In accordance with Government Code Section 53398.54, the City certifies to the DOF and to the PFA that no former Redevelopment Agency of the City of Sebastopol (Former RDA) assets that are the subject of litigation involving the State of California, where the City or the Successor Agency are a named plaintiff, have been or will be used to benefit any efforts of the EIFD unless the litigation and all possible appeals have been resolved in a court of law. The City Clerk is authorized and directed on behalf of the City to provide or make this certification to the DOF within 10 days after the City Council's action to participate in the EIFD pursuant to Government Code Section 53398.68 or the City Council's action to form the EIFD pursuant to Government Code Section 53398.69, by delivery of a copy of the appropriate Resolution or signing a separate certification, if and as required by the DOF.

Section 12. The State Controller has completed its review as specified in California Health and Safety Code Section 34167.5 of asset transfers between the Former RDA, the City or any other public agency. The Successor Agency and the City complied with all of the State Controller's findings and orders stemming from such review.

Section 13. This Resolution in no way obligates the PFA to establish any EIFD.

Section 14. lf any section, subsection, phrase or clause of this Resolution is for any reason found to be invalid, such section, subsection, phrase or clause shall be severed from, and shall not affect the validity of, all remaining portions of this Resolution that can be given effect without the severed portion.

Section 15. This Resolution shall take effect immediately upon its adoption.

Section 16. The City Manager, or designee, are hereby authorized and directed to take all actions necessary or advisable to give effect to the transactions contemplated by this Resolution.

Section 17. The City Clerk of the City of Sebastopol shall certify as to the adoption of this Resolution.

ADOPTED AND APPROVED THIS 2nd DAY OF DECEMBER 2025.

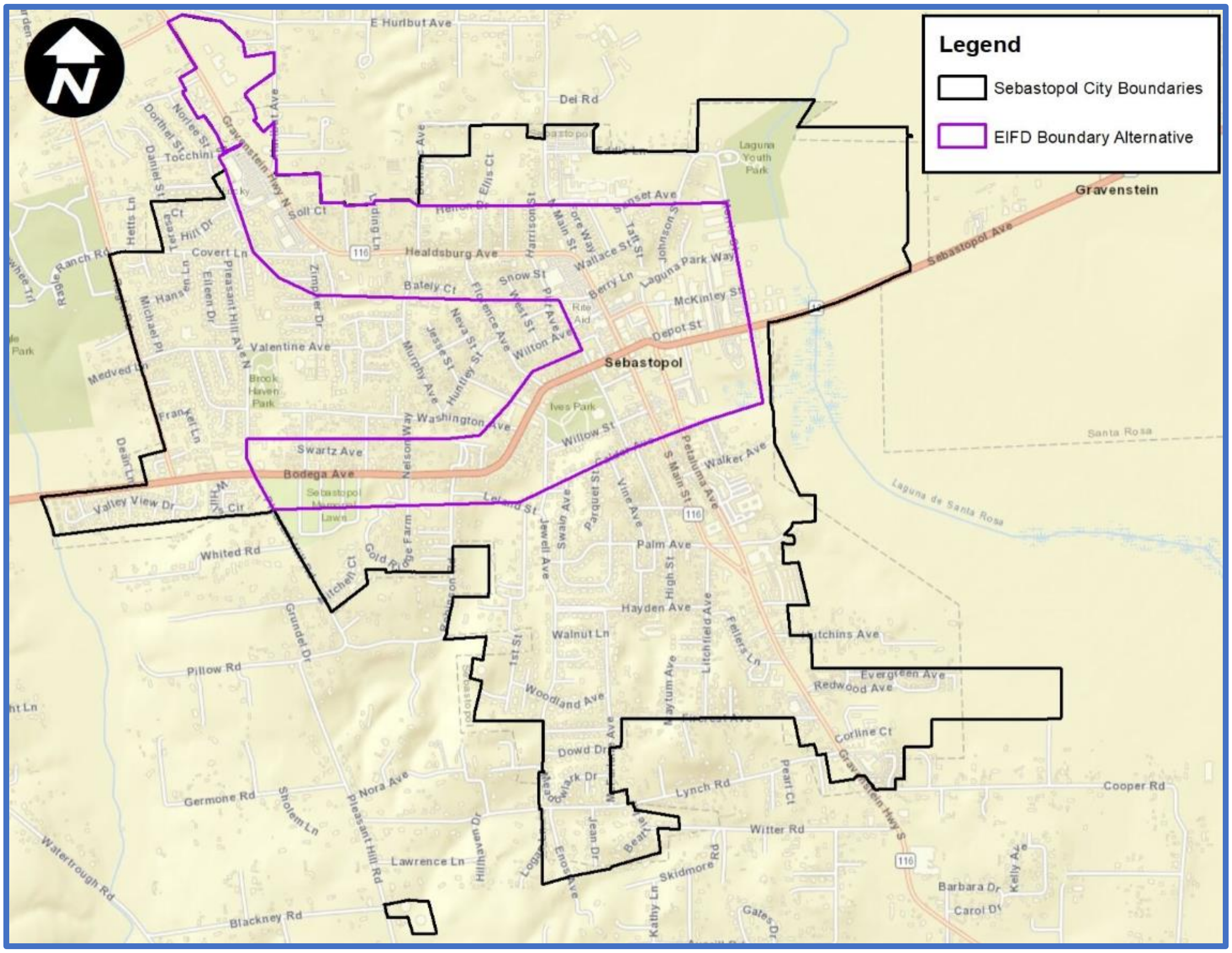
VOTE:
Ayes:
Noes:
Absent:
Abstain:

APPROVED: ____________________________________
Mayor Stephen Zollman

ATTEST: ____
Mary Gourley, Interim City Manager/City Clerk, MMC

APPROVED AS TO FORM: ____________________________________
Alex Mog, City Attorney

EXHIBIT A
Proposed Sebastopol EIFD Boundaries



Proposed EIFD boundary designated in purple (approx. 290 acres).
Sebastopol City boundaries designated in black.

EXHIBIT B

CITY OF SEBASTOPOL
ENHANCED INFRASTRUCTURE FINANCING DISTRICT (EIFD)
LIST OF AUTHORIZED PUBLIC FACILITIES

The Sebastopol Enhanced Infrastructure Financing District (EIFD) may finance the purchase, construction, expansion, improvement, seismic retrofit, or rehabilitation of any real tangible property with an estimated useful life of 15 years or longer which are public capital facilities or other projects of community-wide significance that provide significant benefits to the EIFD or the surrounding community. The EIFD may also finance the ongoing or capitalized costs to maintain public capital facilities financed in whole or in part by the EIFD. Facilities funded may be located outside the boundaries of the EIFD, as long as they have a tangible connection to the work of the EIFD as detailed in the infrastructure financing plan. The EIFD may also finance the planning and design work that is directly related to the purchase, construction, expansion, or rehabilitation of property. The EIFD may finance costs described in Government Code Sections [53398.52 [list of eligible improvements]] 53398.56 [replacement housing and relocation obligations if required by actions of EIFD] and 53398.57. Projects financed by the EIFD may include, but not be limited to, all of the following:

- Highways, interchanges, and ramps;
- Bridges;
- Arterial streets;
- Parking facilities;
- Transit facilities;
- Parks, recreational facilities, and open space;
- Sewage treatment and water reclamation plants and interceptor pipes;
- Facilities for the collection and treatment of water for urban uses;
- Facilities for the transfer and disposal of solid waste, including transfer stations and vehicles;
- Storm water conveyance and collection facilities;
- Flood control levees and dams, retention basins, and drainage channels;
- Child care facilities;
- Libraries;
- Broadband and telecommunications infrastructure;
- Sidewalks and streetscape improvements;
- Bicycle lanes and paths;
- Public art;
- Corporation yards;
- Police facilities;
- Brownfield restoration and other environmental mitigation;
- Affordable housing as authorized under the EIFD Law;
- Projects that implement a sustainable communities strategy and transit priority projects;
- Acquisition, construction, or repair of industrial structures for private use;
- Acquisition, construction, or repair of commercial structures by the small business occupant of such structures, if such acquisition, construction, or repair is for purposes of fostering economic recovery from the COVID-19 pandemic and of ensuring the long-term economic sustainability of small businesses;
- Projects that enable communities to adapt to the impacts of climate change, including, but not limited to, higher average temperatures, decreased air and water quality, the spread of infectious and vector-borne diseases, other public health impacts, extreme weather events, sea level rise, flooding, heat waves, wildfires, and drought;

EXHIBIT B

CITY OF SEBASTOPOL
ENHANCED INFRASTRUCTURE FINANCING DISTRICT (EIFD)
LIST OF AUTHORIZED PUBLIC FACILITIES

- Facilities in which nonprofit community organizations provide health, youth, homeless, and social services.

Other Expenses
In addition to the direct costs of the above facilities, other incidental expenses as authorized by the EIFD Law, including, but not limited to, the cost of environmental evaluation and environmental remediation; engineering and surveying; construction staking; utility relocation and demolition costs incidental to the construction of the facilities; costs of project/construction management; costs (including the costs of legal services) associated with the creation of the EIFD; costs of issuance of bonds or other debt of the EIFD, of a community facilities district of the City, or of any other public agency for authorized facilities and payment of debt service thereon; financing costs of improvements incurred by developers until reimbursement from the EIFD; costs incurred by the County or the EIFD in connection with the division of taxes pursuant to Government Code Section 53398.75; or costs otherwise incurred in order to carry out the authorized purposes of the EIFD; reimbursements to other areas for facilities serving the EIFD; and any other expenses incidental to the formation and implementation of the EIFD and to the construction, completion, inspection, and acquisition of the authorized facilities.