



CITY OF
OAKLAND

**Enhanced Infrastructure
Financing District (EIFD)
Preliminary Feasibility Analysis**

April 2022

**Prepared by:
Kosmont Companies**

Executive Summary

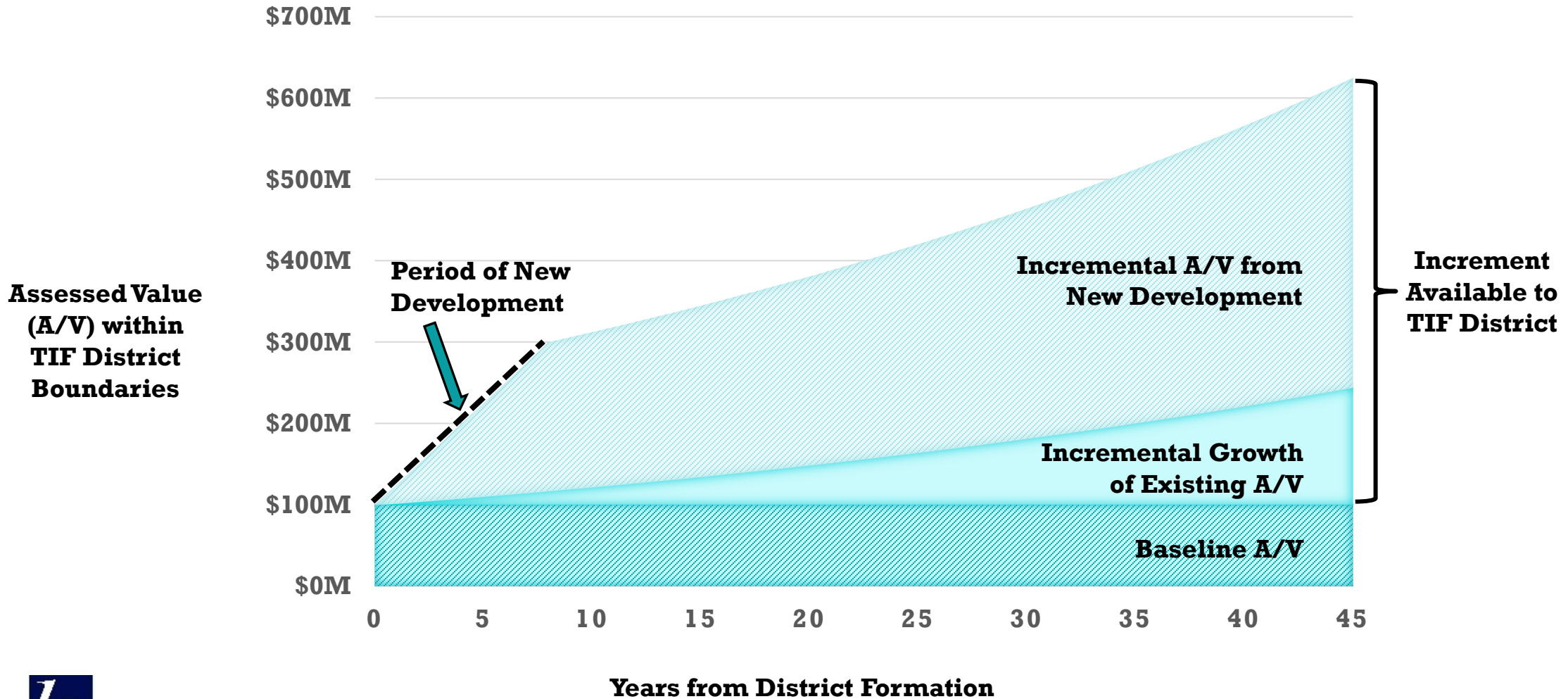
- The City of Oakland Rules and Legislation Committee introduced a motion in December 2021 to conduct a citywide Enhanced Infrastructure Financing District (EIFD) feasibility analysis with emphasis on funding for affordable housing and related infrastructure improvements*
- Utilizing publicly available information related to current and historical property value and property tax revenue growth, Kosmont Companies has evaluated several scenarios of potential EIFD implementation for such purposes
- Scenarios were identified based on Kosmont experience with EIFD implementation in other jurisdictions across the State and do not yet represent input and feedback from City staff or elected official personnel
- It is Kosmont's recommendation that if an EIFD is ultimately implemented in this context, the appropriate tax increment contribution scenario should balance EIFD funding capacity for targeted uses on one hand, with City general fund solvency and funding support for day-to-day operations on the other hand
- Subject to feedback from City Council and staff, next steps could include refinement of EIFD boundaries, tax increment revenue contribution assumptions, identification of projects to be funded, and ultimately a formal resolution of intention to form the EIFD by the City Council

Outline

1. Overview of TIF / EIFD
2. District Boundary and Strategic Considerations
3. Targeted Infrastructure
4. Potential Financing and Funding Plan
5. Next Steps

Tax Increment Mechanic – NOT A NEW TAX

Illustrative



Note: Illustrative. Conservative 2% growth of existing assessed value (A/V) shown; does not include mark-to-market increases associated with property sales.

EIFD Fundamentals

Long Term Districts	45 years from first bond issuance; long-term committed revenues; districts can be formed in 12-18 months
Governance	Public Financing Authority (PFA) led by city or county implements Infrastructure Financing Plan (IFP) – IFP is the investment plan of the EIFD, managed by the PFA*
Approvals	Mandatory public hearings for formation (includes protest opportunity); no public vote to issue debt
Non-contiguous Areas	EIFD project areas <u>do not have to be contiguous</u> , allowing them to target specific sites / areas and making them compatible with other zoning / entitlement strategies
Eligible Projects	Any property with useful life of 15+ years & of communitywide significance; purchase, construction, expansion, improvement, seismic retrofit, rehabilitation, and <u>maintenance</u>

Types of Projects EIFD Can Fund

Partial List



Water / Sewer / Storm / Flood



Roadway / Parking / Transit



Parks / Open Space / Recreation



Childcare Facilities & Libraries



Brownfield Remediation



Affordable Housing



Broadband



**Wildfire Prevention / Other
Climate Change Response**



**Small Business /
Nonprofit Facilities**

Why are Public Agencies Authorizing EIFDs?

1. Return on Investment: Private sector investment induced by district commitment accelerates growth of **fiscal revenues, job creation, housing production, essential infrastructure improvements**
2. Ability to attract additional funds (“OPM”) – tax increment from other entities (county, special districts), federal / state grants / loans (e.g. for TOD, water, housing, parks, remediation)
3. Commitment of future revenues (versus existing revenues) to catalyze economic development that would not occur as quickly or intensely but for the TIF commitment

EIFDs as a Component of the Oakland Economic Development and Public Financing Toolkit

- There are advantages / disadvantages to EIFD compared to other mechanisms, such as general obligation (GO) bonds, lease revenue bonds / COPs, Mello-Roos Community Facilities District (CFD) financing, assessment districts, and other tools
- **Advantages of EIFD** include no encumbrance of existing city/county resources, can attract tax increment contributions from other taxing entities, increased priority for grant funding, ability to demonstrate commitment to multiple infrastructure (and/or affordable housing) projects to catalyze private sector development, capacity to fund maintenance, no additional taxes to property owners / residents / businesses, and ease of voter approval
- **Disadvantages of EIFD** include lack of comparable financings thus far, statutory vs. constitutional authority to issue debt, and subordination to redevelopment successor agency obligations,
- **Advantages of EIFD vs. Other CA TIF Tools** (e.g. CRIA, IFD, IRFD, AHA, SIFD) include flexibility in delineating project areas, capacity to dedicate property tax in lieu of MVLF, district duration, and governing board composition and corresponding implications for taxing entity partnership
- **Complementary Tool: EIFD should not be considered a replacement for other useful financing mechanisms, but rather a complementary tool; other jurisdictions have been successful in utilizing EIFD as well as other tools for different projects within the same community**

Comparison of TIF/EIFD and Other Tools

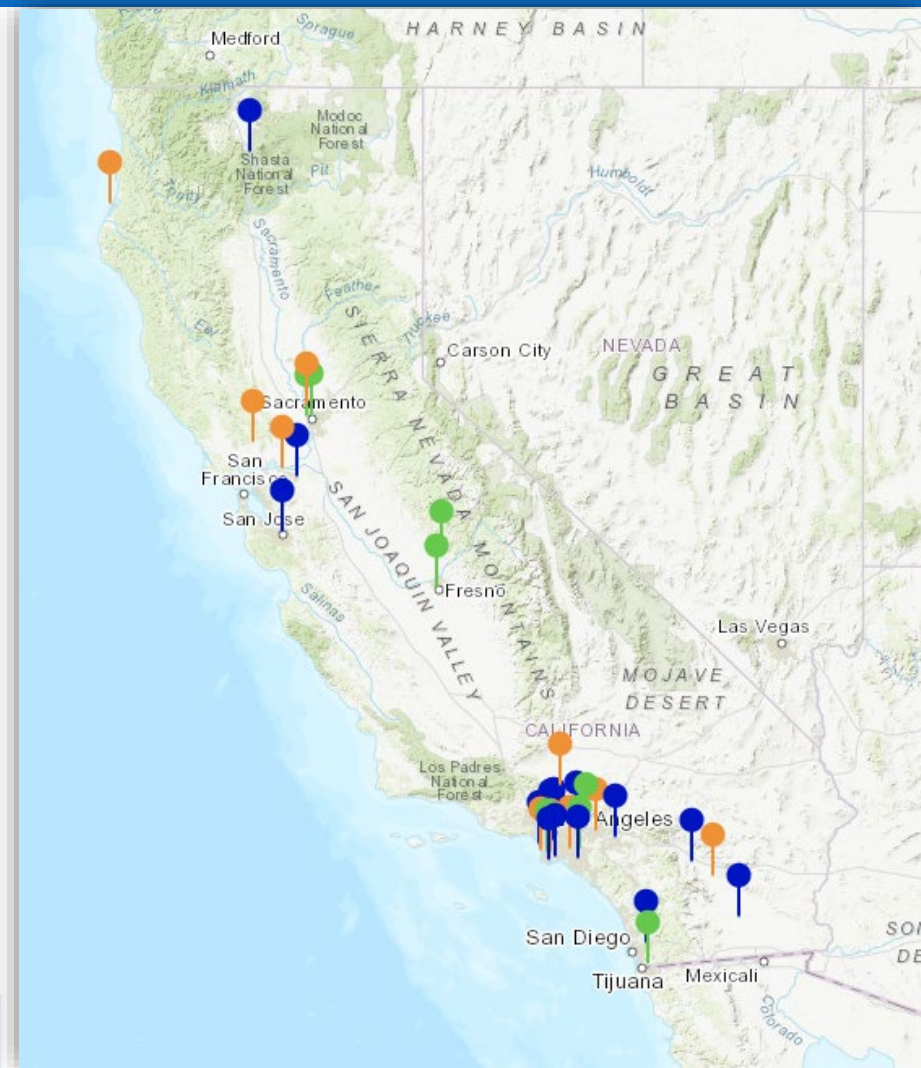
District Type	Description	Revenue Source	Approval Structure	Use of Funds
TIF (e.g. EIFD, CRIA, IFD, IRFD)	Incremental property tax revenues from new development used to fund local infrastructure. Max term is 45 years from approval to issue debt.	Incremental (new development) property tax revenues (incl. VLF) – does not increase taxes	<i>District formation</i> – No vote, but majority protest opportunity by landowners and registered voters <i>Bond issuance</i> – None	<ul style="list-style-type: none"> • Infrastructure of regional or communitywide significance • Maintenance • Affordable housing
Mello-Roos Community Facilities District (CFD) and/or Assessment District	Additional assessment or “special tax” used to fund infrastructure / services that benefit property. Max term is 40 years from date of debt issuance.	New property assessment or tax – appears as separate line item on tax bill	<i>District formation</i> – 2/3 vote of landowners or registered voters in district* <i>Bond issuance</i> – vote of elected body (City)	<ul style="list-style-type: none"> • Infrastructure capital expenditures of benefit to landowners • Maintenance • Public services (e.g. safety, programs)
General Obligation	Voter-approved debt that is repaid with “override” to 1% tax levy; City-wide	Direct property tax levied on all properties at same millage rate	2/3 vote of registered voters in entire City	<ul style="list-style-type: none"> • In accordance with bond plebiscite
Lease Revenue / COPs	General Fund-supported borrowing, generally utilizing City-owned assets to be leased and leased back	General Fund (or other legally available revenues as determined by City)	Vote of elected body (City)	<ul style="list-style-type: none"> • In accordance with bond authorization

✓ Potential funding strategy for Oakland can utilize MULTIPLE mechanisms

* For CFD formation, a vote of registered voters within the district boundary is required if 12 or more registered voters live therein (otherwise a vote of landowners prorated by acreage).

Districts in Progress Statewide

(Partial List)



Jurisdiction	Purpose
Azusa	Housing and transit-supportive infrastructure
Brentwood	Housing and transit-supportive infrastructure
Buena Park	Mall reimagination, housing-supportive infrastructure
Carson + L.A. County	Remediation, housing infrastructure, recreation
Coachella Valley Association of Govts (CVAG) Cities	Housing and transit-supportive infrastructure
Covina	Housing and transit-supportive infrastructure
El Cajon	Housing and transit-supportive infrastructure
El Segundo + L.A. County	Various infrastructure, regional connectivity
Fairfield	Housing and transit-supportive infrastructure
Fresno	Housing and transit-supportive infrastructure
Fresno County	Industrial and commercial supportive infrastructure
Humboldt County	Coastal mixed-use & energy supportive infrastructure
Indian Wells	Housing and tourism-supportive infrastructure
Imperial County	Housing and greenfield infrastructure
La Verne + L.A. County	Housing and transit-supportive infrastructure
Long Beach (Multiple Districts)	Housing and transit-supportive infrastructure
Los Angeles (Downtown, San Pedro)	Housing and transit-supportive infrastructure
Los Angeles County Uninc. West Carson	Housing / bio-science / tech infrastructure
Madera County (Two Districts)	Greenfield infrastructure (water / sewer)
Modesto + Stanislaus County	Housing, transit, recreation-supportive infrastructure
Mount Shasta + Siskoyou County	Rural Brownfield site mixed-use infrastructure
Napa	Housing and transit-supportive infrastructure
Ontario	Housing and transit-supportive infrastructure
Palmdale + L.A. County	Housing and transit-supportive infrastructure
Pittsburg	Housing and transit-supportive infrastructure
Placentia + Orange County	Housing and transit-supportive infrastructure
Rancho Cucamonga	Housing and transit-supportive infrastructure
Redondo Beach + L.A. County	Parks / open space, recreation infrastructure
Riverside	Housing and transit-supportive infrastructure
Sacramento County (Unincorporated)	Industrial / commercial supportive infrastructure
San Bernardino County (Unincorporated)	Transit-supportive infrastructure
San Jose	Housing and transit-supportive infrastructure
Sanger	Housing and commercial supportive infrastructure
Santa Ana	Housing and transit-supportive infrastructure
South Gate	Housing and transit-supportive infrastructure
West Santa Ana Branch Transit Corridor Cities	Housing and transit-supportive infrastructure
Yucaipa	Housing and transit-supportive infrastructure

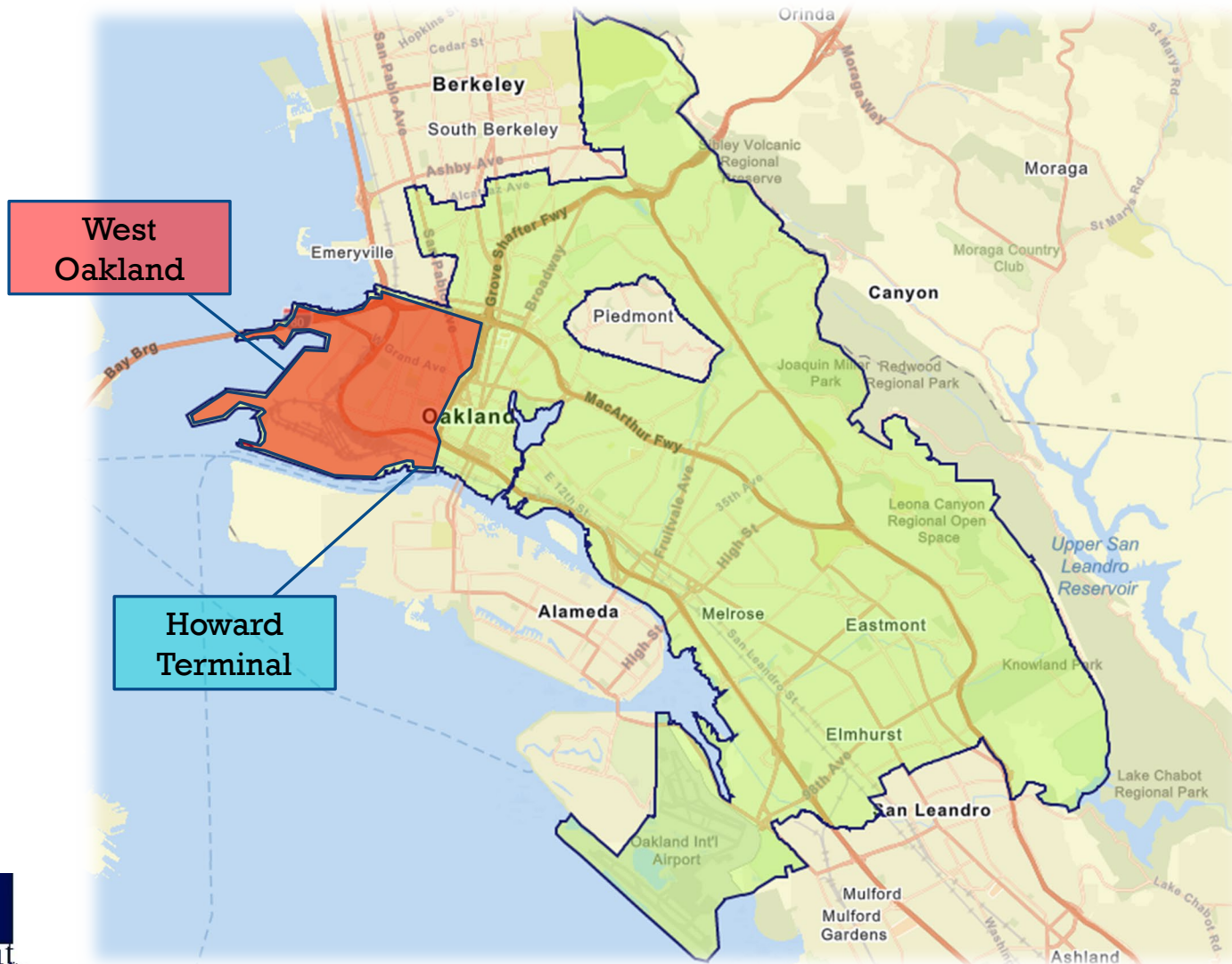
Fully Formed	In Formation Process	Under Evaluation
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Boundary and Strategic Considerations

Feasibility Analysis Approach for Oakland

1. Define district boundary alternatives based on “citywide” guidance from Rules & Legislation Committee
2. Estimate future growth of assessed value based on review of historical growth within the City and Kosmont staff experience with property tax revenue projections
3. Focus on the City general fund as the primary affected taxing entity participating in the EIFD with its share of future property tax increment, considering significant overlap with parcels in former redevelopment agency project areas and related residual revenue distribution from the Redevelopment Property Tax Trust Fund (RPTTF) through expiration of Recognized Obligation Payment Schedule (ROPS) payments
4. Evaluate scenarios of EIFD revenue contribution based on factors above, also balancing need to reserve future property tax revenues for general fund solvency / day-to-day municipal services (different levels of contribution evaluated)
5. Identify additional complementary funding sources, such as and grants on a project-specific basis (City and local partners have experience with Housing Accelerator, MHP, AHSC - \$215M awarded in most recent cycle)

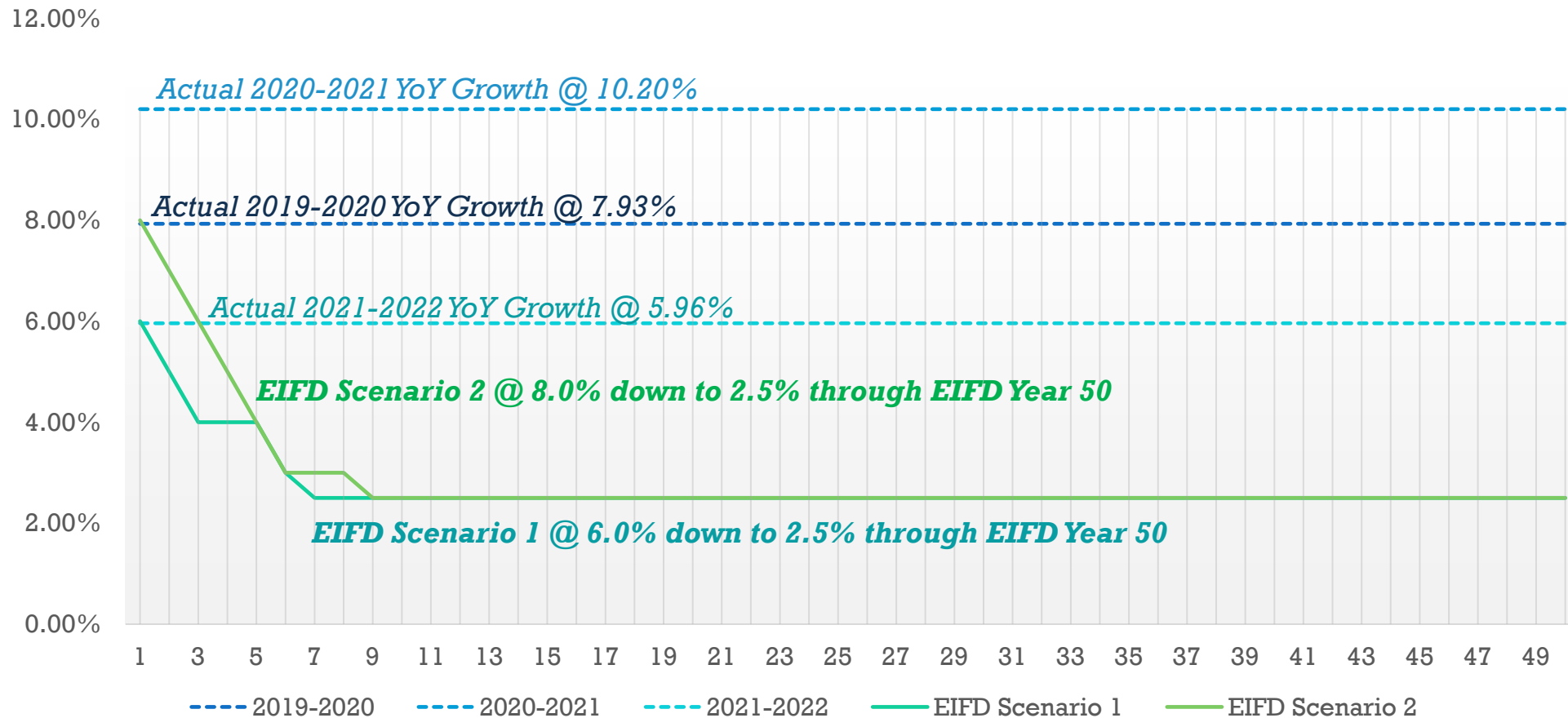
Citywide EIFD Study Area



- Citywide boundary evaluated based on R&L Committee guidance
- West Oakland focus area additionally evaluated
- Howard Terminal specifically excluded from the evaluation

Assessed Value Growth Assumptions for Analysis Over 50-Year Potential District Lifetime

Year-Over-Year Assessed Property Value Growth in Oakland



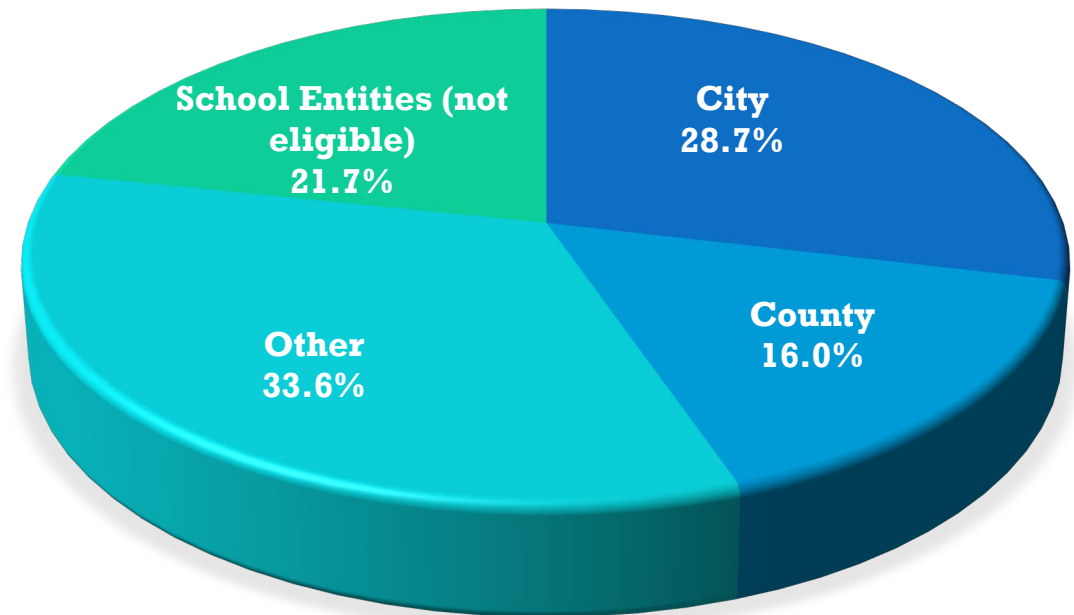
Note: AV at buildout values in current 2022 dollars.
Source: City of Oakland, Alameda County Auditor-Controller, Kosmont (2022)

Property Tax Revenues Available to EIFD

Tax Rate Area and RPTTF Distribution

- Primary non-school recipients and potential contributors of property tax are **City of Oakland** and **County of Alameda**
- City receives approx. **28-29%** of every \$1 collected in property taxes within the EIFD Study Area
 - City additionally receives equivalent of approx. **7-8%** of property tax in lieu of MVLF, also available to EIFD, but not incorporated into this analysis to be conservative
- School-related entities cannot participate (e.g., Oakland USD, Community Colleges)
- While the County and other non-school taxing entities (e.g., AC Transit, BART, EB Regional Park, EBMUD, Flood Control) could elect to participate, this analysis focuses on a City contribution

Weighted Average Property Tax Distribution within EIFD Study Area



Tax Rate Area (TRA) weighted average distributions post-ERAF (Education Revenue Augmentation Fund) distribution, in close alignment with Redevelopment Property Tax Trust Fund (RPTTF) residential revenue distribution breakdown.

Parcels within former Redevelopment Agency Project Areas are subject to RPTTF revenue flow until expiration of ROPS obligations of ~\$500.6M anticipated in 2040 (potentially through 2071).

Source: Alameda County Auditor Controller, City of Oakland, California Department of Finance (2022)

Revenue and Bonding Capacity by Revenue Contribution Scenario – Citywide

EIFD Revenue Contribution Scenario <i>(City as only Taxing Entity Contributing)</i>	Year 5 Annual Revenue	Year 5 Accumulated Revenue + Bonding Capacity*	Year 10 Annual Revenue	Year 10 Accumulated Revenue + Bonding Capacity*	50-Year Present Value @ 6%	50-Year Nominal Total
Citywide Contribution @ 2.5% - LOW	\$1,334,000	\$16,836,000	\$2,242,000	\$35,325,000	\$55,848,000	\$322,553,000
Citywide Contribution @ 2.5% - HIGH	\$1,788,000	\$22,947,000	\$2,837,000	\$45,566,000	\$66,020,000	\$367,929,000
Citywide Contribution @ 5.0% - LOW	\$2,669,000	\$34,334,000	\$4,485,000	\$71,312,000	\$111,696,000	\$645,105,000
Citywide Contribution @ 5.0% - HIGH	\$3,576,000	\$46,556,000	\$5,674,000	\$91,795,000	\$132,039,000	\$735,858,000
Citywide Contribution @ 7.5% - LOW	\$4,003,000	\$51,832,000	\$6,727,000	\$107,298,000	\$167,543,000	\$967,658,000
Citywide Contribution @ 7.5% - HIGH	\$5,364,000	\$70,165,000	\$8,511,000	\$138,024,000	\$198,059,000	\$1,103,786,000

City contribution includes contribution from General Fund AB8 (no property tax in lieu of MVLF)

* 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, 125% 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 Transactions Services (KTS), registered municipal advisor.

Revenue and Bonding Capacity by Revenue Contribution Scenario – West Oakland Only

EIFD Revenue Contribution Scenario <i>(City as only Taxing Entity Contributing)</i>	Year 5 Annual Revenue	Year 5 Accumulated Revenue + Bonding Capacity*	Year 10 Annual Revenue	Year 10 Accumulated Revenue + Bonding Capacity*	50-Year Present Value @ 6%	50-Year Nominal Total
W. Oakland Contribution @ 25% - LOW	\$496,000	\$5,841,000	\$833,000	\$12,710,000	\$20,753,000	\$119,860,000
W. Oakland Contribution @ 25% - HIGH	\$665,000	\$8,111,000	\$1,054,000	\$16,517,000	\$24,533,000	\$136,721,000
W. Oakland Contribution @ 33% - LOW	\$655,000	\$7,922,000	\$1,100,000	\$16,989,000	\$27,394,000	\$158,215,000
W. Oakland Contribution @ 33% - HIGH	\$877,000	\$10,919,000	\$1,392,000	\$22,014,000	\$32,383,000	\$180,472,000
W. Oakland Contribution @ 50% - LOW	\$992,000	\$12,344,000	\$1,667,000	\$26,083,000	\$41,506,000	\$239,719,000
W. Oakland Contribution @ 50% - HIGH	\$1,329,000	\$16,885,000	\$2,109,000	\$33,696,000	\$49,065,000	\$273,442,000

City contribution includes contribution from General Fund AB8 (no property tax in lieu of MVLFF)

** 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, 125% 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 Transactions Services (KTS), registered municipal advisor.

Potential Cash Flow / Debt Issuance Approaches

- Kosmont Transactions Services is in active discussions with public finance underwriters regarding EIFD debt issuances in other jurisdictions
- Underwriters have proposed several approaches for the leverage of EIFD tax increment for accelerated debt issuance (e.g., 2-3 years from EIFD formation), for example:
 - a) EIFD increment only, based on completed (or nearly completed) improvements
 - b) EIFD increment only, based on completed improvements PLUS near-term growth
 - c) Overlapping EIFD and CFD (CFD Backstop) – landowners / developers must be willing to pay CFD special taxes in the short term (e.g., 5-10 years) until EIFD increment reaches a level to cover debt service
 - d) EIFD increment with City or County general fund backstop
- There are advantages and disadvantages with each approach (e.g., upfront proceeds available, public agency risk, cost of capital)
- Additional alternatives are available if private sector partners (e.g., landowners / developers are willing to advance infrastructure funding in exchange for reimbursement from EIFD proceeds)

EIFDs Achieve Priority for Third Party Funding

- Ideal strategy includes EIFD and complementary funding sources
- EIFDs explicitly increase scoring for CA state housing grants (e.g., IIG, AHSC, TCC)

Federal & State Sources

- Cap-and-Trade / HCD grant & loan programs (AHSC, IIG, TCC, CERF)
- Prop 68 parks & open space grants
- Prop 1 water/sewer funds
- Caltrans ATP / HSIP grants
- Federal EDA / DOT / EPA funding
- Federal Infrastructure Grant Program



Other Potential Funding Sources

- Development Agreement / impact fees
- Benefit assessments (e.g. contribution from CFD)
- Private investment

Illustrative EIFD Formation Schedule

Target Date	Task
Q2-Q3 2022	a) Conduct outreach / discussion among City staff and Council, relevant stakeholder related to potential projects
Q3 2022	b) Final determination of EIFD boundaries, tax increment contributions, targeted projects, PFA composition
Q3 2022	c) Participating taxing agencies adopt Resolution(s) of Intent (ROI) to form EIFD and establish PFA
Q3-Q4 2022	d) PFA drafts Infrastructure Financing Plan (IFP)
Q4 2022	e) Distribute <u>draft</u> IFP to property owners, affected taxing entities, PFA, City Council, and planning commission with corresponding project-related CEQA documentation
Q1 2023	f) PFA holds an initial public meeting to present the draft IFP to the public and property owners
Q1 2023	g) PFA holds first “official” public hearing to hear written and oral comments but take no action (noticing must occur at least 30 days after “f”)
Q1 2023	h) PFA holds second public hearing to hear additional comments and take action to modify or reject IFP (at least 30 days after “g”)
Q2 2023	i) City Council / legislative bodies of other affected taxing entity contributing increment adopt resolution(s) approving IFP
Q2 2023	j) PFA holds third public hearing to consider oral and written protests and take action to terminate proceedings or adopt IFP by resolution (at least 30 days after “h” – target completion before August 9 th prior to roll equalization)

- Tax increment allocation begins fiscal year following district formation
- Debt issuance, if desired, would occur after a stabilized level of tax increment has been established

Next Steps

- Receive and incorporate feedback from City Council / Subcommittee(s)
- Refinement of EIFD boundaries, tax increment revenue contribution assumptions
- Identification of projects to be funded, e.g., through stakeholder outreach
- Pursue district formation – first action would be City Council adoption of a Resolution of Intent
- Pursue opportunities for external funding sources (e.g., IIG and AHSC grants), ideally with EIFD platform for greater priority

THANK YOU

Questions?

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