

# Review of Kosmont Enhanced Infrastructure Financing District Proposal

January 2024



CITY OF  
**OAKLAND**



# Overview

## Background

- The City of Oakland is considering EIFDs for funding affordable housing

## Factors for Successful EIFD

- Strong real estate market with high assessed valuation (AV) growth potential
- Significant private development plans
- Involvement of multiple contributing taxing entities
- Supportive land use policies/zoning
- Community support for private development
- Specific infrastructure plan and additional funding sources enhance EIFD viability

## Consultant Team's Evaluation

- A Citywide EIFD may pose an unnecessary fiscal risk to the City's General Fund
- EIFDs are a more powerful tool with multiple taxing entities
- The Consultant Team **strongly recommends** that an EIFD policy be created which may assist the City in evaluating future EIFDs



# EIFD Evaluation Criteria



Will infrastructure investments trigger property value increases that will produce tax increment revenue?



Will the creation and implementation of the EIFD provide a net fiscal benefit to the City?



Will the timing of those revenues and their amounts match the funding needs?





# Review of Kosmont's Analysis

## EIFD Proposal Analysis

- Different scenarios where the City contributes 25%, 33%, and 50% of its share of tax increment over a 50-year district lifetime
- Accumulated revenue and bonding capacity by year 10 ranged between \$33 and \$85 million in East Oakland, \$13 and \$34 million in West Oakland, and \$46 and \$119 million for West plus East Oakland boundaries

## West Oakland Analysis

- Assessed future development program costs at \$829 million over 50 years
- Projected general fund revenues estimated at \$847 million, leaving a surplus of \$19 million or 2.3% of the estimated program costs

## East Oakland Analysis

- No fiscal impact analysis conducted for East Oakland, impact of diverting tax increments to a citywide EIFD is not currently available



# Assessment of Kosmont's EIFD Proposal



Projections of AV growth are based on historic rates which do not incorporate the potential public infrastructure improvements which could affect the value creation potential in the EIFD boundaries



The fiscal impact of an EIFD in East Oakland was not assessed even though East Oakland constitutes 70% of the City's taxable base



The extent of capital expenses required for the infrastructure efforts targeted in the proposal is unknown



EIFD will likely not yield short term revenues to fulfill Oakland's affordable housing goals



EIFD proposal would pose a high risk to the City's General Fund due to Gann limit



# Recommendations and Key Considerations

**The configuration of the proposed boundaries may pose an unnecessary fiscal risk to the City**

**Conducting a series of assessments over the alternative boundaries may inform the City of areas with high potential real estate demand, projects that may trigger increased private development demand, and the fiscal impact of new development within EIFD boundaries**

**EIFD(s) tend to be a more powerful infrastructure funding/financing tool when more than one taxing entity contributes tax increment, and as such the City should work to secure a contribution from Alameda County**



# Recommendations and Key Considerations

**Consider setting a certain share of proceeds for affordable housing**

**Consider further defining/specifying the types and costs of targeted infrastructure projects**

**EIFD policy should be created** which may assist the City in evaluating EIFD proposals and further define the types and costs of targeted infrastructure projects that may be best suited for an EIFD funding/financing.