



AGENDA REPORT


TO: Jestin D. Johnson
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: Enhanced Infrastructure Financing
District – Kosmont Proposal Review

DATE: February 8, 2024

City Administrator Approval


Jestin Johnson (Feb 12, 2024 17:36 PST)

Date: Feb 12, 2024

RECOMMENDATION

Staff Recommends That the City Council Approve A Report And Recommendation:

- 1) To Review The Sperry Capital, Inc. Analysis Of The Kosmont Proposal To Establish An Enhanced Infrastructure Financing District (EIFD) Exclusively For East Oakland, Exclusively For West Oakland, And For East And West Oakland Combined As Outlined in Resolution 89480 C.M.S.; And**
- 2) To Develop An Enhanced Infrastructure Financing District Policy**

EXECUTIVE SUMMARY

This report and recommendation responds to the City Council directives adopted on November 1, 2022, via [Resolution No. 89480 C.M.S.](#), expressing the City's interest in establishing one or more enhanced infrastructure financing districts to fund affordable housing. As directed by the City Council, the City Administration returned to the Council with an [informational report](#) outlining the timeline and process to establish an enhanced infrastructure financing district (EIFD). The informational report recommended the solicitation of an economic consultant to provide a more robust analysis of the preliminary EIFD analysis prepared by Kosmont Companies (Kosmont Report) and outline the next appropriate steps. Sperry Capital and HR&A Advisors consulting team was hired to review the preliminary feasibility analysis prepared by Kosmont. The consultant team's assessment of the Kosmont Report can be viewed in **Attachment A** to this staff report.

BACKGROUND / LEGISLATIVE HISTORY

On May 17, 2022, the Oakland City Council approved a [report and recommendation](#) directing the City Administrator to study the creation and implementation of a citywide enhanced infrastructure financing district to fund affordable housing and infrastructure improvements.

On November 1, 2022, the Oakland City Council adopted [Resolution No. 89480 C.M.S.](#) that expressed the City's interest in establishing one or more enhanced infrastructure financing districts to fund affordable housing.

[Kosmont Companies](#) provided the City with presentations and a basic analysis of generalized areas and made recommendations that an EIFD may be viable under certain circumstances (the Kosmont Report).

On December 20, 2022, the Oakland City Council received and filed an [informational report](#) outlining the timeline and process to establish an enhanced infrastructure financing district exclusively for East Oakland, West Oakland, and East and West Oakland combined, as detailed in the Kosmont Report.

ANALYSIS AND POLICY ALTERNATIVES

In January 2023, staff conducted an informal request for proposal (IRFP) to seek the services of an economic consultant to provide economic analysis and projections for tax increment financing, specifically EIFD. Sperry Capital, Inc. as a primary consultant, and HR&A Advisors, Inc., as a sub-prime consultant, were deemed the lowest and most responsive consulting team for this analysis.

Sperry Capital, Inc. is a full-service municipal and project finance advisory firm, based in Sausalito, California, that has provided advisory services related to value capture, including EIFD evaluation, for the County of San Bernardino, the Southern California Association of Governments (SCAG) on its Heart of Hollywood Tax Increment Financing (TIF) study, the Transbay Joint Powers Authority (TJPA), and the San Francisco Bay Area Rapid Transit District (BART). HR&A Advisors, Inc. is a real estate and infrastructure development advisory consulting firm, founded in Southern California, with over 40 years of experience advising public and private sector clients in the planning and implementation of complex and large-scale capital projects, including the implementation of impact fees, special assessment districts, and EIFDs.

The consultants reviewed the Kosmont preliminary EIFD proposal and compiled a report titled, Assessment of Enhanced Infrastructure Financing Authority, which is included as **Attachment A** to this report.

Recommendation

Staff recommends that the City Council receive this informational report and approve staff's recommendation to develop an enhanced infrastructure financing district policy.

The consultants recommend key considerations to evaluate the viability of an EIFD, including:

1. Whether the public sector infrastructure investments to be funded by the EIFD are likely to trigger land/property value increases that will produce a meaningful amount of tax increment revenue over time when combined with other sources of funding;
2. Whether the creation and implementation of the EIFD provides a net fiscal benefit to the City;
3. Whether the timing of those revenues and their amounts match the timing of funding needed for those public sector projects when combined with other available sources of funding for such projects;

4. 4. Whether more than one entity will participate in the EIFD as the participation of more than one taxing entity increases the potential for revenue generation; and
5. 5. Whether early-stage collaboration and planning across stakeholders has occurred to garner support for a potential EIFD to avoid a protest vote.

To begin the robust analysis and continued exploration of EIFDs in Oakland, staff strongly recommends the development of an EIFD policy that will set guidelines and the considerations above that must be met to ensure that all EIFD proposals are, among other things, achieve the social and economic benefits desired by Council and are beneficial to the City's residents and fiscally sound. Developing an EIFD alone will require the expertise of various consultants, including financial advisors, real estate economists, and specialized legal counsel. The lack of an EIFD policy means the City will need to dedicate limited staff resources to any proposal that is put forward, including those that are incomplete or that may be disadvantageous in certain aspects to the City or the residents of the proposed areas. Without the benefit of minimum guidelines set out in an official EIFD policy, the development of EIFDs within the City may proceed in an ad hoc, inconsistent, and unfair manner.

The above recommendation aligns with the City Council's goal of being a **responsive and trustworthy government**. Without this guidance, City staff will be left without direction while working to implement a very novel public financing strategy that has been implemented a limited number of times in the state of California.

FISCAL IMPACT

There is no fiscal impact to receive this informational report, however, the implementation of any EIFD is a great undertaking and can cost in excess of \$2 million annually in consultant fees, inclusive of real estate, economic, financial, and legal counsel for the exploration and formation phase.

Staff's recommendation to develop an EIFD policy will require the services of an economic consultant and legal counsel. Staff estimates that the cost may be up to \$500,000. Currently, a budget has not been established to contract with a consultant to develop an EIFD policy, and implementing such a contract will require the earmark of funding in the FY 2024-2025 Midcycle Budget.

PUBLIC OUTREACH / INTEREST

No outreach was deemed necessary for this informational report beyond the standard City Council agenda noticing procedures.

COORDINATION

This report was prepared by the Finance Department and reviewed by the City Administrator and City Attorney's offices.

SUSTAINABLE OPPORTUNITIES

Economic: There are no economic opportunities associated with receiving this informational report. However, the economic opportunities that will arise from establishing an EIFD are undetermined at this time.

Environmental: There are no environmental opportunities associated with receiving this report.

Race & Equity: A racial equity analysis has not been conducted. The racial equity impacts that may arise from establishing an EIFD are undetermined at this time.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That the City Council Approve A Report And Recommendation:

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For questions regarding this report, please contact Brittany Hines, Assistant to the Director, at (510) 238-7078.

Respectfully submitted,



Erin Roseman (Feb 9, 2024 14:56 EST)

ERIN ROSEMAN
Director of Finance
Finance Department

Prepared by:
Brittany Hines
Assistant to the Director

Attachment (2):

1. Assessment of Enhanced Infrastructure Financing Authority
2. Review of Kosmont Enhance Infrastructure Financing District Proposal PowerPoint