Enhanced Infrastructure Financing District (EIFD) Feasibility Analysis Summary

August 2023

Prepared by:
Kosmont Companies

Executive Summary

- Mt. Shasta has significant potential for new private sector investment and development over the next 5-20 years across multiple opportunity site areas in the City (One Shasta LLC, Newman, Orchard Property)

- Investments in critical infrastructure are needed to support new development, such as roadway improvements, water and other utility enhancements, and remediation activities

- A public/private financing strategy that includes Tax Increment Financing ("TIF") financing among other complementary sources has been evaluated by Kosmont to be well-suited to capture value from future development to fund targeted critical infrastructure (*not a new or increased tax*)

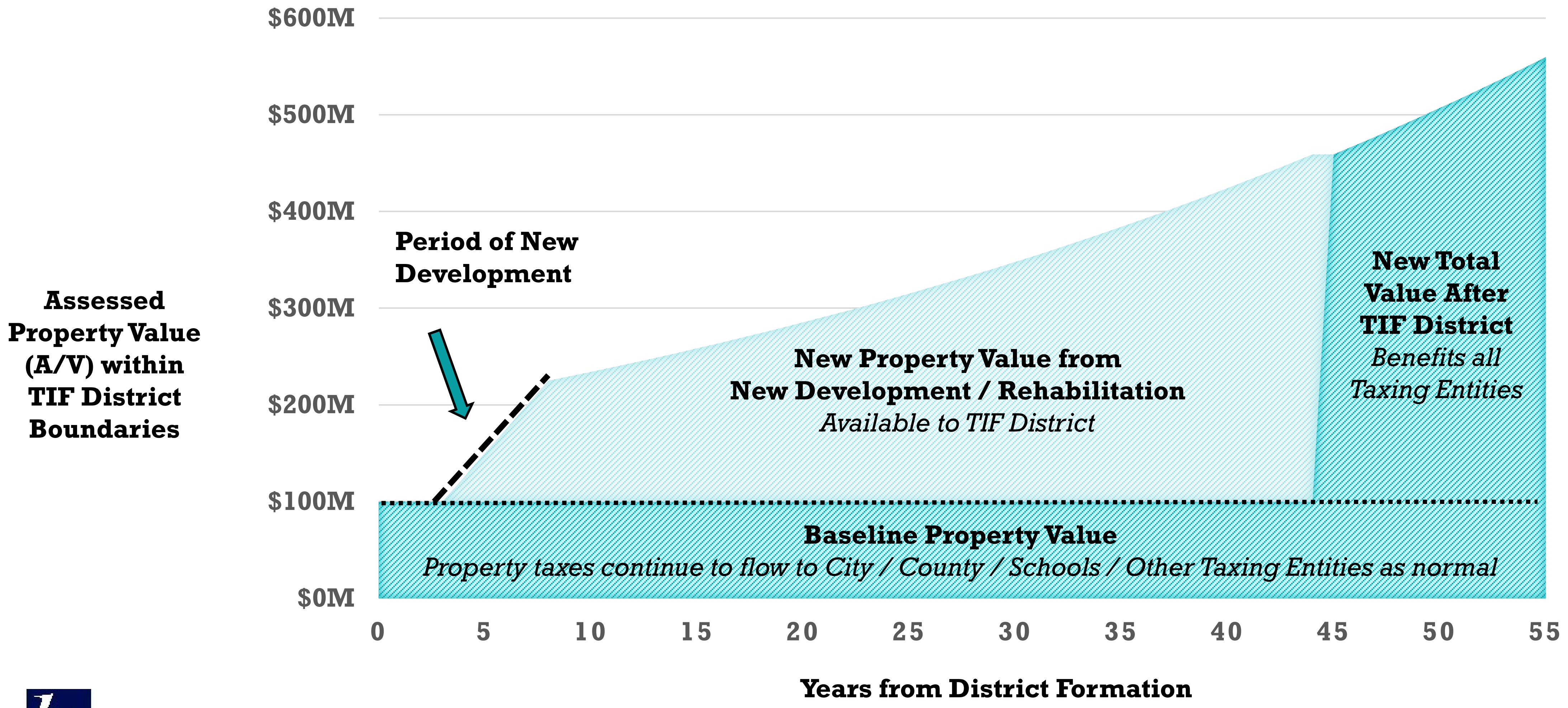
- While a City-only special district strategy would likely achieve favorable "return on investment" for the City, a partnership between the City and County of Siskiyou with emphasis on funding regionally beneficial infrastructure would further improve financial feasibility and **long-term positive fiscal impacts** for both the City and County general funds

- Subject to initial feedback from County Supervisors and Executive Staff, immediate next steps could include further refinement of analysis assumptions based on initial feedback and adoption of non-binding Resolutions of Intention to form a joint-City/County EIFD

Outline

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

What is Tax Increment Financing (TIF) – Not a New Tax



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
Governance	Public Financing Authority (PFA) implements Infrastructure Financing Plan (IFP)
Approvals	Mandatory public hearings for formation with protest opportunity; no public vote
Eligible Projects	Any property with useful life of 15+ years & of communitywide significance; purchase, construction, expansion, improvement, seismic retrofit, rehabilitation, and **maintenance**

NOT A NEW TAX

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Types of Projects EIFD Can Fund

Partial List

Water / Sewer / Storm / Flood

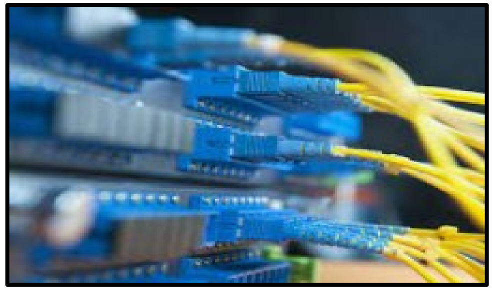
Roadway / Parking / Transit

Parks / Open Space / Recreation

Childcare Facilities & Libraries

Brownfield Remediation

Affordable Housing



Broadband

Wildfire Prevention / Other Climate Change Response

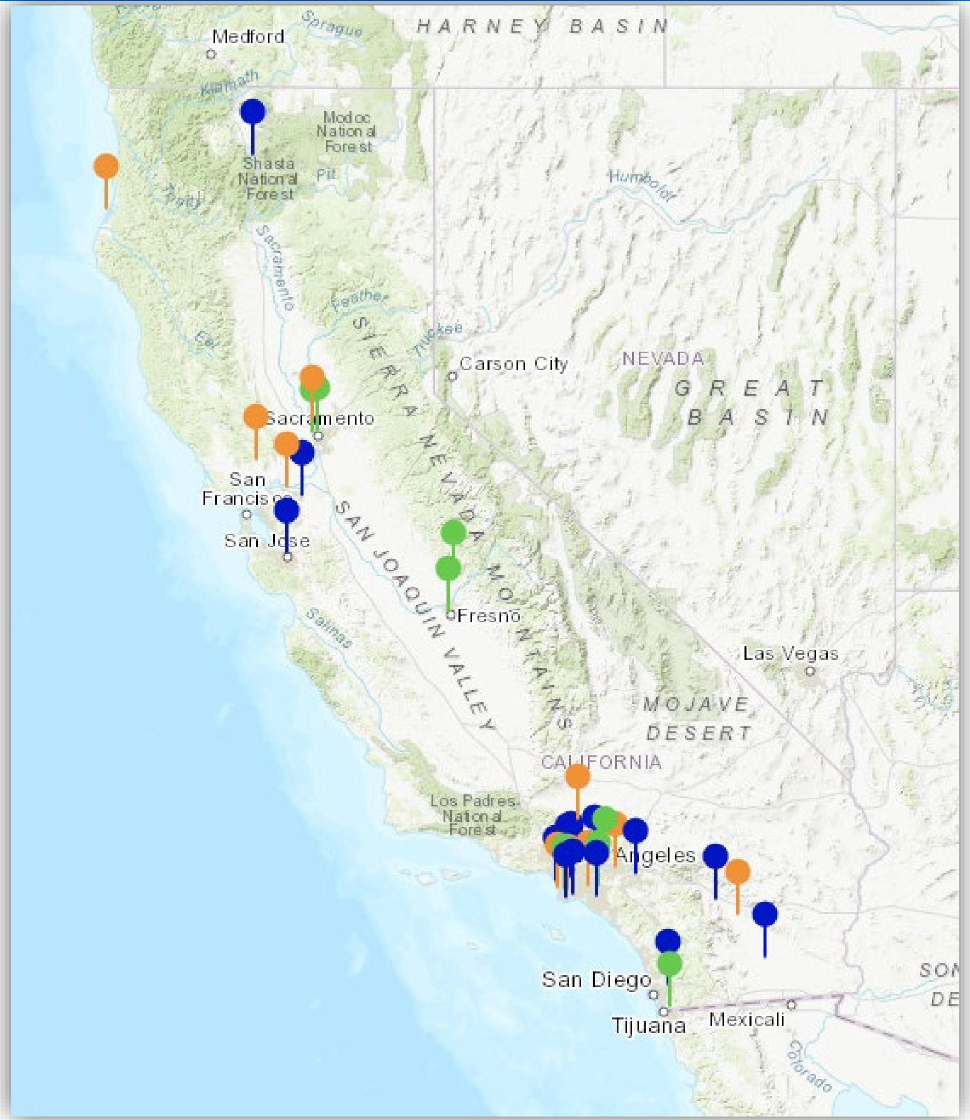
Small Business / Nonprofit Facilities

Why are Public Agencies Authorizing EIFDs?

1. Return on Investment: Private sector investment induced by district commitment on a "but for" basis accelerates growth of net 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)

TIF Districts in Progress Statewide
(Partial List)



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Jurisdiction	Purpose
Azusa	Housing and transit-supportive infrastructure
Banning	Housing and industrial infrastructure
Barstow	Housing and commercial 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
Fontana	Housing, mixed-use and industrial 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 Areas)	Housing and transit-supportive infrastructure
Los Angeles (Downtown, San Pedro, LACUSC Med Center)	Housing and transit-supportive infrastructure
Los Angeles County Uninc. West Carson	Housing / bio-science / tech infrastructure
Madera County (3 Districts)	Greenfield infrastructure (water / sewer)
Modesto + Stanislaus County	Housing, transit, recreation-supportive infrastructure
Mount Shasta + Siskiyou County	Rural Brownfield site mixed-use infrastructure
Napa	Housing and transit-supportive infrastructure
Oakland	Affordable housing and housing-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
Redlands	Housing and mixed-use 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
Vacaville	Housing and transit-supportive infrastructure
Yucaipa	Housing and transit-supportive infrastructure

Fully Formed	In Formation Process	Under Evaluation

Boundary and Strategic Considerations
Feasibility Analysis Approach for Mt. Shasta

1. Define district boundary alternatives based on areas where infrastructure investment will catalyze and support new/accelerated investment and development

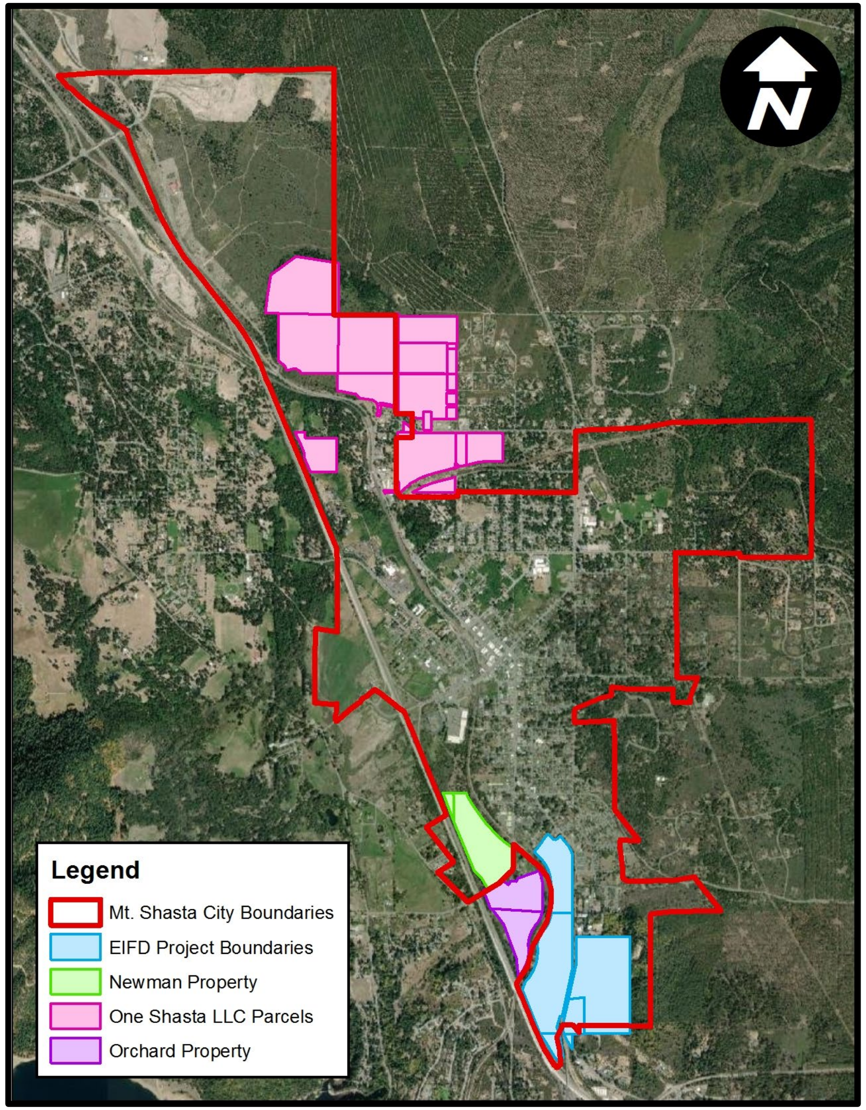
2. Estimate future development within each boundary scenario in terms of magnitude (# units, square footage, hotel rooms), timing, and assessed value

3. Identify eligible public agencies that receive property tax increment within the district (e.g., City, County), as well as their corresponding shares of future property tax increment (different levels of contribution evaluated)

4. Determine EIFD revenue potential based on boundary and development assumptions (#1 and #2 above) and portion of increment available to an EIFD based on EIFD-eligible taxing entities (#3 above)

5. Identify additional complementary funding sources, such as Community Facilities Districts (CFD) and grants on a project-specific basis

Map of EIFD Study Area



	Existing Acreage	Existing A/V
Currently within City limits	309 AC	$1.1M
Currently outside City limits	148 AC	$4.9M
Total Study Area	**456 AC**	**$6.0M**

- Approx. 19% of Citywide acreage
- Approx. 1.8% of Citywide Assessed Value (A/V)
- Includes areas with future development potential, including initial private sector investment interest

Source: City of Mount Shasta, Siskiyou County Auditor-Controller (2022)

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Potential Targeted Infrastructure Improvements

- Housing and commercial supportive infrastructure (e.g., roadway improvements, utility enhancements, remediation activities)

- Potential water tank improvements in northern region of the City

- Target is infrastructure to enable and facilitate and catalyze growth at the Landing / One Shasta LLC Sites and other potential development opportunity site areas (e.g., Orchard)

Source: Discussions with City of Mount Shasta and Siskiyou County EDC staff (2021-2022)

Future Development Assumptions
Absorption Assumed over 10-30 Years

Area	# SF / Units / Rooms	Estimated AV Factor	Estimated Total AV at Buildout
Area 1: Landing			
Market-Rate Residential	160 units	$250K / unit	$40.0 million
Affordable Housing	40 units	*(property tax-exempt)*	$0
Commercial / Retail	27,500 SF	$250 PSF	$6.9 million
Office / Flex	10,000 SF	$200 PSF	$2.0 million
Industrial / Flex	25,000 SF	$125 PSF	$3.1 million
Hotel	75 rooms	$200K / room	$15.0 million
Hostel	75 rooms	$100K / room	$7.5 million
Area 2: Orchard / Newman			
Affordable Housing	TBD	*(property tax-exempt)*	$0
Industrial / Flex (illustrative example)	100,000 SF	$125 PSF	$12.5 million
Total New Development Assumed			**$79.5 million**

Note: AV at buildout values in current 2022 dollars..
Source: City of Mount Shasta, CoStar (2022)

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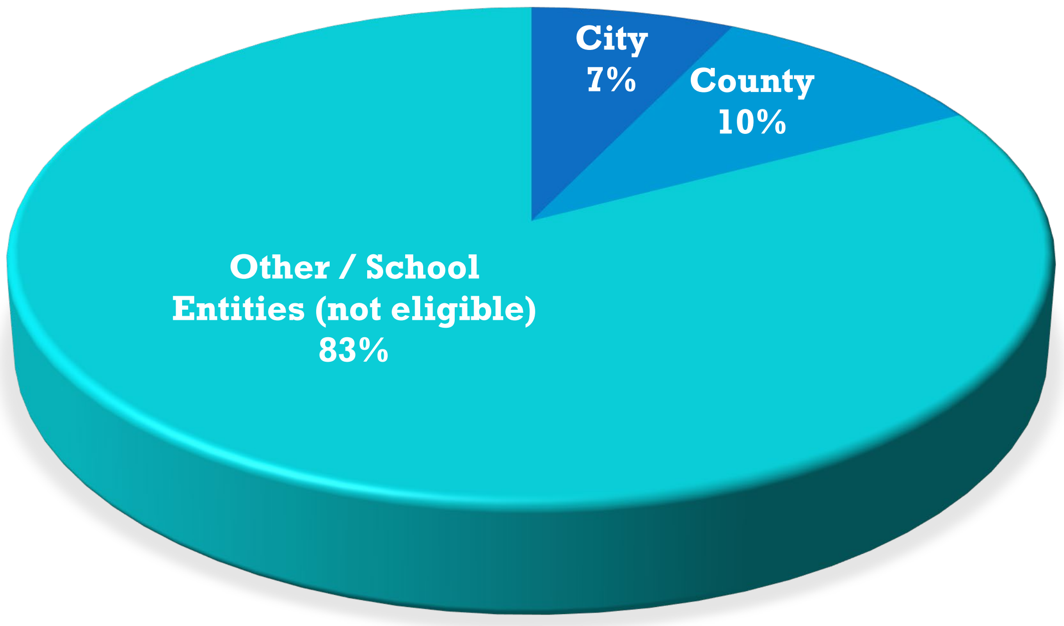
Potential Partner Agencies
Property Tax Distribution

- Primary non-school recipients and potential contributors of property tax are **City of Mt. Shasta** and **County of Siskiyou**
- City share of property tax varies **between 0% and 15%** among the opportunity sites evaluated (e.g., partly due to previous annexation / sharing agreements)
  - City additionally receives equivalent of approx. **8%** of property tax in lieu of MVLF, also available to EIFD
- County share similarly various **between 5% and 21%**
  - County additionally receives equivalent of approx. **11%** 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

Approx. Weighted Average Property Tax Distribution within EIFD Study Area (not incl. VLF)



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 contribution 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: Siskiyou County Auditor Controller (2022)

Scenario Analysis Summary Matrix
The Landing

EIFD Revenue Contribution Scenario	Year 5 Accumulated Revenue	Year 10 Accumulated Revenue + Bonding Capacity*	50-Year Present Value @ 3% Discount Rate	50-Year Nominal Total
A) City 50%	$62,000	$310,000	$1,898,000	$4,454,000
B) City 100%	$124,000	$619,000	$3,796,000	$8,907,000
C) City 50% + County 50%	$85,000	$422,000	$2,587,000	$6,071,000
D) City 100% + County 100%	$169,000	$1,868,000*	$5,174,000	$12,142,000

- Market-rate development on the Orchard, Newman, and/or former Crystal Geyser sites would be accretive / in addition to values above (would likely assume annexation of Orchard and Crystal Geyser sites currently outside of City limtits)

City allocation includes both AB8 property tax + property tax in lieu of motor vehicle license fees (MVLF); County allocation includes only AB8 property tax

** Only scenario D represents a likely bond issuance scenario due to fixed costs of issuance. Bonding capacity assumes Year 10 is first bond issuance for EIFD. "Year 10 means 10th 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 <u>accelerated</u> 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)

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Private Sector Partnership Approaches

- Outside of debt issuance alternatives, certain other EIFDs have negotiated partnerships with private sector landowner / developer partners (e.g., Madera County EIFDs, Carson / L.A. County EIFD)

- Private sector may be willing to advance infrastructure funding in exchange for reimbursement from EIFD proceeds

- Could be documented via Reimbursement Agreement, Development Agreement, other alternatives

- **May be of particular interest for interested developers for the Landing / One Shasta LLC opportunity sites**

EIFDs work better with a City/County Partnership

- Ideal strategy includes City and County partnership
- EIFDs which involve a City / County joint effort are more likely to win state grant 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*

Report Card on City/County TIF Partnerships

1. Placentia + County of Orange

2. La Verne + County of Los Angeles

3. Palmdale + County of Los Angeles

4. Carson + County of Los Angeles

5. Stockton + Manteca + Lathrop + County of San Joaquin

Others in progress…

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County of Siskiyou "Return on Investment"

- Implementation of essential infrastructure improvements of communitywide and regional benefit
- Social impacts: Quality of life improvement, environmental sustainability
- Housing production, including affordable housing
- Economic benefits:
  - **200+** permanent, direct jobs from operation; additional **40+** indirect and induced permanent jobs (**240+** total jobs), supporting **$7.6M+** in ongoing annual wages in the City and County
  - Additional **1,200+** temporary construction-related jobs*, supporting **$58M+** in construction-related wages
- Acceleration of development and related fiscal revenues:
  - Positive County general fund net fiscal impact of ~**$462,000** over district lifetime versus "no-EIFD" scenario (assuming 50% allocation scenario), further improving drastically after district termination (net of County service costs and net of County allocation to EIFD)*

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* One construction job-year = one year of employment for one construction employment position
** "No-EIFD scenario" assumes slower, less intense development due to lack of supportive infrastructure; *present value benefit at 3% discount rate ($866,000 benefit in nominal dollars)*

Summary of Potential Net Fiscal Impacts

Net of Potential 50% Increment Allocation to EIFD

Estimated County of Siskiyou Fiscal Revenues and Expenditures Within EIFD Study Area	Stabilized Annual Revenues	Year 0-50 Nominal Total	Year 0-50 Present Value @ 3.0%
Estimated Fiscal Revenues	$208,470	$12,878,500	$5,271,200
Potential EIFD Tax Increment Allocation (50% Scenario)	($28,200)	($1,688,700)	($699,200)
Estimated Fiscal Expenditures	($134,200)	($9,471,700)	($3,722,900)
Estimated Net Fiscal Impact	**$46,070**	**$1,718,100**	**$849,100**

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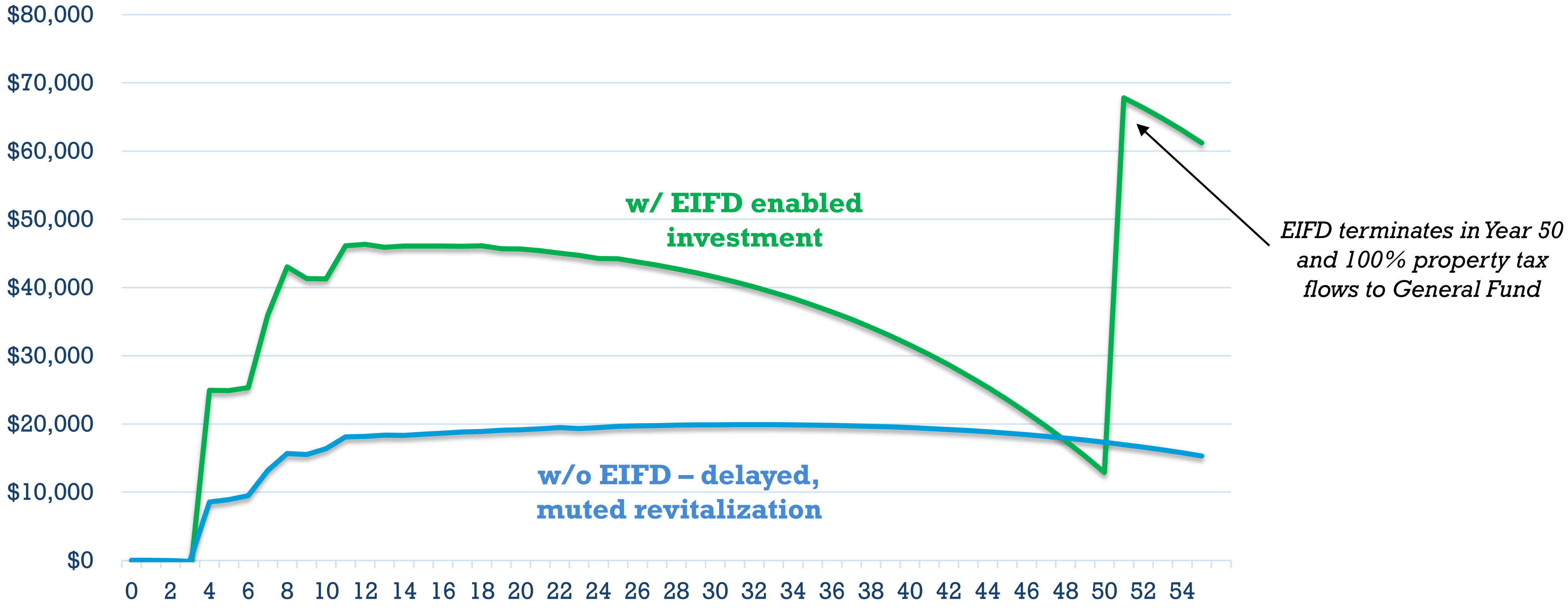
Note: Assumes installation of necessary public infrastructure. $2022

Fiscal Return on Investment for County of Siskiyou

Net Fiscal Impact – EIFD (50% Scenario) vs. "Do-Nothing" Scenario

Annual NET New Fiscal Revenue to County General Fund (EIFD Parcels)



- **~$462,000** in <u>cumulative</u> net fiscal benefit to County over 50 years (present-value discounted at 3%), further improves drastically after year 50

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Illustrative EIFD Formation Schedule

Target Date	Task
Q3 2023	a) Conduct outreach / discussion among City staff and Council, County staff and Board of Supervisors (BOS), potential private sector investment partners
Sept/Oct 2023	b) Final determination of EIFD boundaries, tax increment contributions, targeted projects, governing Public Financing Authority (PFA) Board composition
Oct 2023	c) City Council / County BOS adopt Resolution(s) of Intent (ROI) to form EIFD and formally establish PFA Board
Nov 2023	d) PFA directs the drafting of the Infrastructure Financing Plan (IFP)
Jan 2024	e) Distribute draft IFP to property owners, affected taxing entities, City Council, County Board of Supervisors, planning commission, with corresponding project-related CEQA documentation
Jan 2024	f) PFA holds an initial public meeting to present the draft IFP to the public and property owners
Feb 2024	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")
Mar 2024	h) City Council / legislative bodies of other affected taxing entity contributing increment adopt resolution(s) approving IFP
Mar 2024	i) PFA holds second public hearing to hear additional comments and take action to modify or reject IFP or CRIA Plan (at least 30 days after "g")
Apr 2024	j) PFA holds third public hearing to consider oral and written protests and take action to terminate proceedings or adopt IFP and form the EIFD by resolution (at least 30 days after "j")

- 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

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Next Steps

- Receive and incorporate feedback from County Supervisors and Executive Staff
- Refine analysis assumptions (e.g., boundary, development projections, levels of contribution, targeted infrastructure costs) based on feedback
- Pursue district formation to establish base year for incremental value growth as soon as feasible (first action would be City/County adoption of a non-binding Resolution of Intention)
- Continue to pursue opportunities for private sector partners and external funding sources (e.g., IIG and AHSC grants), ideally under joint City/County EIFD platform for greater priority

THANK YOU

Questions?

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Discussions or descriptions of potential financial tools that may be available to the City are included for informational purposes only and are not intended to be to be “advice” within the context of this Analysis.

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Appendix

Mechanics of TIF / EIFD

Private property investment or new development

Increased property tax revenue from new property value

Deposited in separate EIFD fund

Funds pay for public improvements

NOT A NEW TAX

Public Financing Authority (PFA) Members

- <u>**City-Only EIFD Scenario**</u>: PFA consist of five members, including, three members of the City Council and two members of the public appointed by the City Council

- <u>**If partnering with other taxing entity (e.g., City / County)**</u>: PFA consist of five members, including two members of the City Council, one member of the County Board of Supervisors, one public member appointed by the City Council, and one public member appointed by the County

- Public member appointment is flexible (e.g., open application process versus specific recommendations by staff / Council)

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EIFD versus Former Redevelopment Agencies

Sample of Differences

	Former RDAs	EIFDs
Eligible Use of Funds	• Infrastructure and affordable housing • Market-rate housing • Land clearing and parcel assembly • Tax and other private business / developer subsidies	• Public infrastructure (e.g., roads, sewers, open space, utilities) • Affordable housing
Eminent Domain / Condemnation	• Allowed	• Not allowed
Eligible Areas	• Must qualify as "blighted"	• No "blight" finding required
Governance	• City Council or County Board • School entity participation	• Public Financing Authority including Public Members (no school entities)
Formation	• Vote of governing body	• 3 public hearings, majority protest opportunity

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EIFDs as a Component of the Mount Shasta 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 <u>as well as</u> other tools for different projects within the same community**

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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	*District formation* – No vote, but majority protest opportunity by landowners and registered voters *Bond issuance* – 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	*District formation* – 2/3 vote of landowners or registered voters in district* *Bond issuance* – vote of elected body (City)	• 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	• 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)	• In accordance with bond authorization

✓ Potential funding strategy can utilize MULTIPLE mechanisms

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* 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).