



# COUNTY OF SISKIYOU

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## COUNTY ADMINISTRATIVE OFFICE

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### BOARD REPORT

To: Members of the Siskiyou County Board of Supervisors

From: Sherry Lawson, Deputy County Administrator

Subject: Consideration of a request from the City of Mt. Shasta to pursue a joint jurisdiction Enhanced Infrastructure Financing District (EIFD)

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#### EXECUTIVE SUMMARY:

An Enhanced Infrastructure Financing District (EIFD) is a financing tool that supports public infrastructure and development that in turn supports and incentivizes private investment into specific areas where high density housing and mixed-use development is desired. This works by freezing the property tax revenues that flow from a designated project area to the City or County at the “base level” of the current year the EIFD is formed. Additional tax revenue in future years, the “increment”, is diverted into a separate pool of money, which can be used to either pay for improvements directly or to pay back bonds issued against the anticipated revenue. The main goal of an EIFD is to provide a mechanism for local governments to fund infrastructure projects that may otherwise be financially challenging.

The City of Mt. Shasta’s interest in exploring the potential of an EIFD was first raised in November of 2022. The City has contracted with an economic development advisory service, Kosmont Companies, to prepare a feasibility analysis of the proposed EIFD boundaries. The analysis includes potential targeted infrastructure improvements such as housing and commercial supportive infrastructure, water tank improvements and infrastructure to enable, facilitate, and catalyze growth at the Landing Site/Roseburg Commerce Park, as well as, other potential development opportunity sites. Key land use assumptions contained within the analysis include 160 dwelling units, 40 affordable housing units, a 75 room hotel, a 75 room hostel, a 27,500 square foot commercial building, 10,000 square feet of office space, and a 25,000 square foot industrial building. Consideration to enter into an EIFD was brought before the Board on May 2, 2023 at which time staff was direct to bring back a fully vetted report to analyze the risk or benefit to the County.

The City of Mt. Shasta has proposed to continue with the formation of an EIFD with or without County support. Without County support, the City’s anticipates that it will take up to 8 years before there is sufficient tax increment collected to begin funding infrastructure upgrades. With the County’s support, that timeline is projected to be shortened to 3 years. The City has noted that private sector development company may be willing to advance funds for infrastructure

upgrades in exchange for reimbursement from EIFD proceeds. They have also indicated that grant funding may be secured for infrastructure upgrades, using the tax increment as the matching funds for any secured grants.

**BACKGROUND:**

The formation of an EIFD is a multifaceted process that may take a year or more to form. This timeline is driven by how long it takes local governments to come to an agreement on what they want to accomplish and community consensus around the project(s). The lead agency, in this case the City of Mt. Shasta, determines the project area(s) and improvement alternatives in collaboration with the County. The County's involvement is necessary as City and County boundaries will overlap with the proposed EIFD. Should the County choose not to participate in a joint EIFD, the District boundaries would likely be re-drawn to exclude property under County jurisdiction. If Board decides to move forward in exploring a joint jurisdiction EIFD, the next steps would be to adopted a resolution announcing its intent in forming an EIFD and establishing a Public Finance Authority (PFA) Board.

The PFA is the governing body of the EIFD. Its Board authorizes, develops, and eventually implements the Infrastructure Finance Plan (IFP), which is the investment plan of the EIFD. It is important to note that funding sources for the projects in the IFP may include any combination of: the EIFD's share of ad valorem property tax increment, governmental or private loans, grants, bonds, assessments, special taxes, and fees. Additional steps, including a balloting of qualified electors, may be required as part of the District formation process. Issuance of bonds, while allowable, is not expected to occur in this case, as the anticipated tax increment collections would not be sufficient for the debt service associated with loans or bonds. EIFDs may exist for 45-50 years after the issuance of bonds or receipt of loan funding. Biennial financial and performance audits are required and are to be conducted according to California State Controller guidelines. In short, the PFA oversees EIFD finances and activities.

The PFA Board comprises two members from the Mt. Shasta City Council, one Siskiyou County Supervisor, and two public members, one appointed by the City and the other by the County. The PFA is a local public agency and as such, all PFA board members are subject to the Ralph M. Brown Act, California Public Records Act, and the Political Reform Act of 1974. No PFA members receive compensation; however, they are eligible for reimbursement of EIFD expenses they incur.

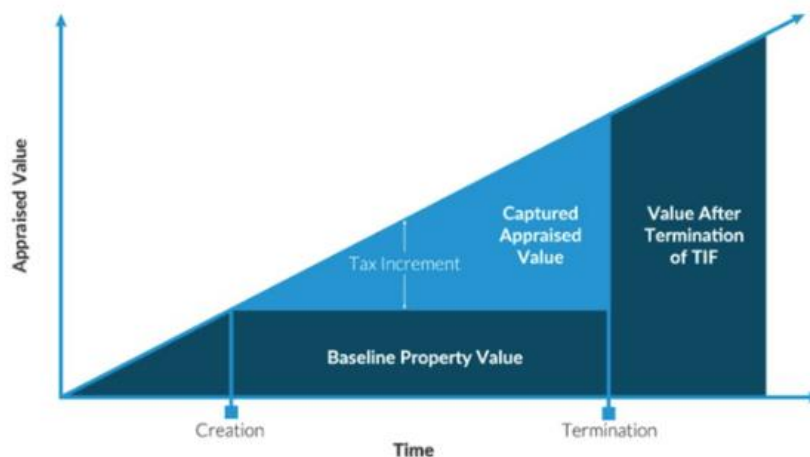
The PFA will designate an appropriate official, in this case Kosmont Companies, to prepare an Infrastructure Financing Plan (IFP), which should be consistent with the general plan of the city or county. The IFP is the formal plan which encapsulates the inter-agency collaboration mentioned above and identifies the actual infrastructure improvements to be included in the EIFD, how the improvements will be funded, and how long the EIFD will be in existence. The draft IFP is then distributed to property owners, City Council, the Board of Supervisors, and Planning Commission with corresponding project related CEQA documentation.

After the draft IFP is compiled, the PFA holds an initial public meeting to present the draft to the public. After the initial public meeting, the PFA holds its first public hearing to hear written and oral comments from the public on the proposed IFP. These hearings are part of the public engagement and decision-making process, where the public can provide feedback and raise concerns. No action is taken during the initial hearing, as noticing must occur 30 days after the initial public meeting which the draft IFP is presented.

Assuming the success of a first public hearing, the City Council and Board of Supervisors would then adopt a resolution approving the IFP, as they are the taxing entities that will be contributing the tax increment to the EIFD.

Upon approval of the resolutions by the County and City, a second public hearing is held by the PFA to hear additional comments and take action to modify or reject the IFP. Depending on the success of a second hearing, the PFA holds a third and final public hearing to consider oral and written protests and take action to terminate proceedings or adopt a resolution to form the EIFD and approve the final IFP.

When the EIFD is established, the “baseline property value” for all properties within the District is set, or frozen, at that year’s appraised value. Tax increment revenue is generated from the “captured appraised value” (the difference between the baseline value and the annually updated appraised value). A pre-designated percentage of this revenue establishes the fund that is administered by the PFA to be used for public infrastructure and community benefiting projects. See chart below.



**FISCAL IMPACT:**

The creation of an EIFD will not decrease the amount of Property Tax revenue the General Fund receives, and it is not a new tax. Instead, the Property Tax generated within the EIFD boundaries will be frozen at the amount in the assessment roll that was last equalized prior to formation of the EIFD, creating a base year. The County will allocate to the EIFD incremental tax revenue generated by application of the 1% general ad valorem tax to increases in assessed value in the EIFD above the EIFD’s base year values..

If the County decides to participate in the EIFD, 50% of the tax increment for the General Fund may be retained, while the other 50% of the tax increment is diverted to the EIFD. The County would still see an increase to the General Fund, but at a slower rate of growth. Revenues from proposed properties within County jurisdiction have increased approximately \$23,000 over the last 10 years. If trends continue for the next 50 years, we can expect to see an approximate increase in general fund revenue, for the proposed properties of approximately \$115,000. Should the County choose to participate in the EIFD, assuming the EIFD formation is successful, and assuming that development takes place in the District, the projected increase to the general fund after 50 years is approximately \$462,000. Upon termination of the EIFD (50 years) the estimated increase to the General Fund is projected to almost double to \$849,000.

**Overview of Fiscal Impacts**

	Annual (Stablized Year 15)	Year 0-50 Nominal Total	Year 0-50 Present Value @ 3.0%
<b>City of Mount Shasta</b>			
Estimated Fiscal Revenues (Net of EIFD Allocation)	\$1,291,700	\$90,144,900	\$35,819,400
Potential EIFD Tax Increment Allocation	(\$75,700)	(\$4,539,700)	(\$1,878,900)
Estimated Fiscal Expenditures	(\$796,000)	(\$56,225,800)	(\$22,101,600)
<b>Estimated Net Fiscal Impact to City</b>	<b>\$420,000</b>	<b>\$29,379,400</b>	<b>\$11,838,900</b>
<b>County of Siskiyou</b>			
Estimated Fiscal Revenues (Net of EIFD Contribution)	\$208,470	\$12,878,500	\$5,271,200
Potential EIFD Tax Increment Allocation	(\$28,200)	(\$1,688,700)	(\$699,200)
Estimated Fiscal Expenditures	(\$134,200)	(\$9,471,700)	(\$3,722,900)
<b>Estimated Net Fiscal Impact to County</b>	<b>\$46,070</b>	<b>\$1,718,100</b>	<b>\$849,100</b>

Ultimately, participating in the EIFD offers the County the opportunity to not only retain 50% of the tax increment for the General Fund but also a long-term increase, with estimated revenue projections nearly doubling after 50 years. This is however, based on assumptions that the anticipated development outlined in Kosmont’s feasibility analysis takes place once the infrastructure improvements are complete.

## **CONCLUSION:**

The process of forming an Enhanced Infrastructure Financing District represents a multifaceted undertaking, encompassing opportunities and challenges. There are both potential benefits and challenges that should be acknowledged.

Consideration for the following should be taken into account before making a decision:

### **PROS:**

- EIFD's provide a mechanism to fund and implement critical infrastructure projects that might otherwise be challenging to finance through traditional means.
- Successful infrastructure projects within the EIFD can attract private investment, stimulate economic growth, and potentially increase property values leading to additional tax revenue.
- Infrastructure projects supported by EIFD's can create jobs both during construction and in the long term through increased economic activity.
- EIFD's encourage collaboration between local agencies (the City and the County) to address regional infrastructure needs, fostering a sense of partnership and collective planning.
- EIFD's offer flexibility in funding sources, allowing a combination of property tax increment, grants, loans, and special assessments.

### **CONS:**

- EIFD's require financial commitments from the County, which directly impacts the General Fund by requiring a portion of tax revenue to be diverted into a separate pool of funds for the EIFD's use.
- By allocating a portion of the property tax revenue to the EIFD, the County may have fewer funds available to appropriate in other areas of need.
- Infrastructure projects involve the development of land. Delays, cost overruns, or changes in land use plans could impact the overall success and financial viability of the EIFD.
- EIFD's require public support and involvement. If the community does not understand or support the infrastructure projects or the financing mechanism, it may lead to public backlash, or legal challenges.
- Certain infrastructure projects may have environmental implications. Failure to adequately address these concerns could lead to legal challenges, regulatory hurdles, or negative public perception.

The success of the EIFD hinges on the performance of the infrastructure projects and their ability to generate economic activity, which warrants careful consideration. Finding a balance between optimism and pragmatism is necessary to ensure the best outcomes for our community and constituents.