



Agenda Item

City Council

Item #: 7.1.

11/28/2023

File #: 23-0769

TO: Honorable Mayor and Members of the City Council

FROM: Tom Kisela, City Manager

1. SUBJECT

Agreement with Kosmont & Associates, Inc. for economic development services.

2. SUMMARY

The proposed Professional Services Agreement with Kosmont & Associates, Inc. would provide for a feasibility analysis for creating an Enhanced Infrastructure Financing District to fund critical infrastructure in the City of Orange.

3. RECOMMENDED ACTION

Approve the agreement with Kosmont & Associates, Inc. in the amount of \$31,000 for economic development services; and authorize the Mayor and City Clerk to execute on behalf of the City.

4. FISCAL IMPACT

The total expenditure for this agreement is \$31,000 and will be funded through NW & SW Merged 2003 Taxable Bonds (FUND 952).

5. STRATEGIC PLAN GOALS

Goal 2: Be a fiscally healthy community

e: Create an environment to attract, retain, and expand economic opportunities.

6. DISCUSSION AND BACKGROUND

Enhanced Infrastructure Financing Districts ("EIFD") are an economic development and public finance tool introduced by Senate Bill 628 in 2014. EIFDs are the predominant form of Tax Increment Financing ("TIF") in California following the dissolution of Redevelopment Agencies in 2012.

EIFD and TIF are a form of financing, where a city or a county designates a boundary around parcels positioned for new development or rehabilitation. The assessed property value within the district is "frozen" at the time of formation as the "baseline" of assessed value for the district. Over time, as new development or rehabilitation occurs and new property value is added to properties within the district, participating taxing entities can dedicate all or a portion of the new incremental property tax from values above the baseline ("property tax increment") to the EIFD with a dedicated purpose of funding infrastructure.

Eligible Infrastructure

Current law includes a definition of infrastructure eligible to be funded by EIFDs, including roadway, utility, open space, and transit improvements, remediation activities, government facilities, parking, broadband infrastructure, affordable housing, and numerous other categories, preceded by the phrase “including, but not limited to”, demonstrating the legislative intent for the tool to be flexible. EIFDs can also fund improvements outside of the district boundary, so long as the improvements benefit the properties within the district boundary. EIFDs can also fund maintenance costs, so long as the assets being maintained were initially installed at least partially utilizing EIFD funding.

EIFD Functions and Formation

EIFDs do not create a new tax, nor do they encumber any existing agency revenues or resources. EIFDs allow taxing entities to set aside a portion of future property tax revenues for special purposes, such as infrastructure. By dedicating a portion of future property tax revenue for infrastructure improvements, the City not only guarantees a higher level of infrastructure investment, it also can attract tax increment contributions from other taxing entities as well as get increased priority for certain state and federal grant funding.

EIFD property tax increment may be used on a pay-as-you-go basis or leveraged in the form of EIFD bond issuances. There is no public vote required to form an EIFD or to issue EIFD debt; however, the formation process includes a series of public meetings and hearings that allows the community to comment on the proposed Infrastructure Financing Plan (“IFP”) that would govern EIFD activities. The final public hearing includes an opportunity for landowners and residents within the district boundary to protest formation of the district. If more than 50% of the combined number of landowners and residents within the EIFD protest formation, the process must halt for at least one year. If no protest occurs, the EIFD is authorized for both formation and future debt issuance.

EIFD Governance

The EIFD is governed by an entity called the Public Financing Authority (“PFA”). The composition of the PFA varies, depending on which taxing entities are committing property tax increment to the EIFD. For the EIFDs established so far in California where a city and a county are both contributing property tax increment, the “template” for PFA composition has been two members of the city council, one member of the county board of supervisors, one member of the public appointed by the city council, and one member of the public appointed by the county board of supervisors, for a total of five members.

There are approximately 23 EIFDs established in California, with several more currently in the evaluation and formation process. Staff conducted an informal bid process to select a consultant to analyze the feasibility of an EIFD in Orange. Of the three firms contacted, Kosmont was the lowest responsive bidder and had the most relevant experience, having assisted with the formation of the majority of EIFDs in California and the only EIFD in Orange County.

The proposed agreement with Kosmont & Associates (Kosmont) would provide for a feasibility analysis for establishing an EIFD in the City of Orange. The analysis would include three tasks:

1. Evaluation of boundary and strategic considerations
2. Preliminary funding and financing analysis
3. Governance and implementation roadmap

Kosmont would present the results of the analysis to staff and the City Council. It is anticipated that tasks 1 through 3 would take between 8 and 12 weeks. Staff recommends approving the proposed

agreement with Kosmont to complete a feasibility analysis for establishing an EIFD in Orange.

7. ATTACHMENT

- Professional Services Agreement with Kosmont & Associates, Inc.