
CHAPTER 5: INFRASTRUCTURE FINANCING

~~Details around public improvements, cost estimates, and potential funding sources will be finalized prior to adoption.~~

This section focuses on preliminary funding options or next steps that would be required to finance the offsite infrastructure improvements that have been identified or referenced through the MDSP process. The discussion focuses on the offsite improvements specifically, as any infrastructure required for onsite development would be the responsibility of the applicant as part of a development proposal.

DESCRIPTION OF OFFSITE PUBLIC IMPROVEMENTS

The following are the off-site public improvements that have been identified in Chapter 4: Circulation; Infrastructure & Community Services of this plan as necessary for buildout of the MDSP Area.- Given that the MDSP does not consider development phasing, the timing of construction for specific improvements is not known and it is not discussed in detail in this section. Each of these improvements are discussed in further detail in Chapter 4.

- **Loni Drive Sewer Interceptor** – Sewer main capacity improvements in between Loni Drive and the Mill Site.
- **Newburg Road and Kenmar Road Highway Interchanges Improvements** – Reconfigure existing interchanges as roundabouts to improve traffic operations and safety, and provide for multi-modal access.
- **Newburg Road and South Fortuna Boulevard Intersection Improvements** – Provide improvements required to update traffic signal timing to improve operational performance.
- **Kenmar Road and Ross Hill Road Intersection Improvements** – Unidentified improvements to improve traffic operations. Transportation
Parks, Open Space & Trails
Storm Drainage
Water
Sewer

PRELIMINARY FINANCING PLAN

~~This~~ This Preliminary Financing Plan establishes an initial framework to identify financing needs for the public facilities required to serve the MDSP area. The purposes of the Financing Plan is are to:

- Establish the policy framework for financing the required infrastructure improvements.
- Specify the infrastructure improvements to be constructed, reconstructed, or acquired in the development of the MDSP area and the associated costs (when known).
- Identify the preliminary maximum justifiable distribution of cost burdens to the different land uses in the MDSP area. MDSP Area proportional share cost burden for off-site public improvements necessary for the build-out development of the MDSP area.
- Identify funding sources to pay for the infrastructure improvements.

- Describe fee programs to pay for the infrastructure improvements.

Financing Plan elements must work together to provide the optimal balance of fees and private/public financing so as not to burden undeveloped land while also assuring that necessary facilities are constructed when needed. The goals of the Financing Plan are to:

- Fully fund all facility and infrastructure improvements when the improvements are needed to serve the project.
- Use existing fee programs to the extent possible and identify new fee programs that may be required.
- Make maximum use of "-pay-as-you-go" mechanisms.
- Make appropriate use of grant funding or other appropriate state or federal programs to support infrastructure development, private (developer) financing, existing fee programs, new fee programs, and reimbursement agreements to fund improvements when needed.

The initial step to identify funding requirements for offsite infrastructure projects is to identify the improvement costs and the proportional share of impact specific to the development associated with the MDSP area. The offsite improvements, planning level costs (where available), and proportional share calculations are summarized in the table below.

Summary of ~~Public Facility Program Estimated Facilities~~ Offsite Improvements, Costs, and Development Proportional Share (cost estimates shown in 2024 dollars)

<u>Facility/Offsite Improvement</u>	Estimate of Total Cost	Proportional Share	
		<u>City-None-MDSP Area Proportional Share</u>	<u>MDSP Area Developer Proportional Share</u>
Sewer Capacity Increase Project for Loni Drive Interceptor	\$2,037,000	83%	17%
Transportation Infrastructure			
Kenmar Road & US 101 Interchange Improvements (Roundabouts)	\$22,000,000	65%	35%
12 th Street, Newburg Road, and Dinsmore Drive Interchanges with US 101 (Roundabouts)	\$25,000,000	88%	12%
South Fortuna Boulevard and Newburg Road Intersection (Signal Timing Improvements)	TBD	84%	16%
South Fortuna Boulevard, Kenmar Road, and Ross Hill Road Intersection Improvements (Project Unknown)	TBD	68%	32%

The proportional share as presented in the table above is separated into two categories. The first is the None-MDSP Area share, which includes the proportion of the impact that is a result of current capacity issues, or future impact generation associated with development/growth in Fortuna outside of the MDSP area. The second is the MDSP Area share, which includes the proportion of impact specific to the development/growth specifically within this area. Proportional development share calculations were performed as part of the technical memorandums developed for the transportation and utilities Chapter, and further information can be found in Appendix D, Utility and Infrastructure Conceptual Design Technical Memorandum, and Appendix E, Fortuna Mill District Specific Traffic Impact Analysis Technical MemorandumAppendix X.

It should be noted that the proportional share methodology was based on the impact assumptions used in the analysis (ie. traffic trip generation numbers, sewer flow increases), and that project-specific impacts (and therefore their proportional share) may differ from the analysis summarized above. Future work may be required to appropriately assess the impacts of any specific project. Additionally, these impacts and their resulting proportional share calculations are the result of impact modelling, and in some cases result in a development impact share that may be beyond the reasonable cost-share capacity that any project or development could finance. In these cases the City would need to assess these circumstances and determine how much cost share is reasonable to require of any project, which would be a component of any future work to establish a uniform development fee or development agreement (discussed in further detail below).

As shown in the table above, project definitions and costs have been developed for the City's interchange improvement and sewer projects as the City is actively working towards making these improvements. For the two other intersections that would require upgrades, further work would need to be undertaken to understand the specific improvements necessary and their associated costs.

As shown in the table above, the offsite improvement projects required for the build out of the MDSP area have significant costs. Given these costs, and the fact that the cost burden for these projects is a function of existing capacity issues and development across the City, a funding strategy that leverages several funding sources will be required. The following is a list of potential funding sources that could be considered to finance the offsite improvements.

Implementation of the Financing Plan may include the following:

- ~~Development Exactions, where developers will be required to privately finance public infrastructure for on-site road, sewer, water, and drainage improvements, to the extent adequate facilities are not already in place.~~
- ~~Assessment Districts as financing tools that are subject to the approval of the majority of landowners and that allow for the collection of special assessments to finance infrastructure improvements built within the Assessment District and to finance the operation and maintenance of such improvements. Assessment Districts ensure that each property owner pays a fair share of the costs of needed improvements over a period of years at reasonable interest rates. They also ensure that the costs are spread across all properties that benefit from the improvements.~~

Development impact fees and reimbursement agreements: As discussed above, development associated within the MDSP area will result in proportional share impacts to various public infrastructure across the City. As such, development impact fees could be levied charged by the City that could proportionally where there is an “essential nexus” and “rough proportionality” between the impact and the fee to fund the identified offsite improvements. The City could elect to establish and adopt these fees based on a formula study that evaluates a specific classes of projects and identifies relative to the relevant anticipated impact to city infrastructure relative thereto (i.e. average daily vehicle trips or sewer flow generation). Conversely, the City could take an Ad-Hoc approach and assess development fees through a negotiated development agreement. In any case, development impact fees should be established directly related to the impacts of the development and roughly proportional to the impacts of the project, based on measureable impacts and should be uniformly and equitably applied to all projects.

Enhanced Infrastructure Financing Districts (EIFD): An EIFD is a special financing district, a governmental entity comprised of both public and private partners distinct from the entity which establishes it. EIFDs can aid communities in funding a wide and diverse variety of public capital improvement projects and other projects of communitywide significance set forth in state law, by capturing and leveraging property tax increment (PTI) generated within the EIFD area. The EIFD does not impose a new tax. Added improvements gained through EIFD funding supports future development and results in increased property values. This generates increased property tax revenues from the “base year” which can then be leveraged for additional improvements.

Affected taxing entities are not required to contribute their PTI for the EIFD. Participation in the EIFD is voluntary. Each tax sharing entity which elects to join the EIFD has the option to allocate up to 100% of its portion of tax increment to the district. Under the EIFD law, school districts are precluded from participation. Below is a list of agencies who could elect to join the EIFD and their related weighted average share of property tax.

Due to the significant costs of the public infrastructure surrounding the Mill Site, the City of Fortuna is actively working through the lengthy process to assess the feasibility of an EIFD, and other necessary procedural steps to establish an EIFD.

- ~~); An EIFD could be established that could leverage future property tax growth within an assessed area to fund a portion of the infrastructure improvements, are financed through tax increment generated from the growth in property taxes collected from within a designated district boundary.~~

Local/Regional Funding: Local or regional transportation funding is currently being used to advance the interchange improvement projects at Kenmar and 12th Street, and a combination of these funding sources could continue to be used to further advance all of these improvements. Potential funding sources include the State Transportation Improvement Program (STIP), or current/future tax measures. For the sewer capacity improvements, these could be locally funded by City sewer capital reserve funds, which are funded in part by established capital connection fees for new sewer-generating developments.

State/Federal Transportation Grant Programs: Given the cost-magnitude of some of these projects, the City has regularly developed and submitted grant applications through various State/Federal transportation funding program. Programs that the City has applied to include the Reconnecting Community's Program, the Active Transportation Program, and various Federal Highways programs. Obtaining grant funding through one of these programs will likely be key in the successful delivery of the larger infrastructure project.

Credits and Reimbursements

~~A developer who funds the construction of public improvements may be eligible for credit or reimbursement. The eligibility criteria within the credit and reimbursement agreement may include, but not be limited to, the following: (i) a developer pays or contributes more than is required to serve their project or mitigate actual impacts from the MDSP; (ii) a developer is required to advance the funding for or otherwise construct public improvements earlier than is required to serve the MDSP; or, (iii) to mitigate actual impacts from the MDSP. Specific terms of credit and reimbursement agreements will be subject to future negotiations between the developer and the City. To the extent credits exceed the amount of applicable fees the developer would pay, the developer may enter into a credit/reimbursement agreement with the City, which would describe the terms of reimbursement to the developer and the ability of the developer to assign the credits to other MDSP area projects.~~

FINANCING FOR ONSITE IMPROVEMENTS

As noted above, the focus of this section is to highlight options for financing the offsite infrastructure improvements that have been identified as critical for the build out of the MDSP area. For any improvements deemed necessary onsite (ie roads, drainage, water, sewer, etc.), any development proposal would need to fund and deliver the improvements required to serve the proposed project. In some cases, it may be necessary for a developer or a development proposal to provide infrastructure at the time of a project that may enable future developments.

Credits and Reimbursements

A developer who funds the construction of public improvements may be eligible for credit or reimbursement in this scenario. The eligibility criteria within the credit and reimbursement agreement may include, but not be limited to, the following: (i) a developer pays or contributes more than is required to serve their project or mitigate actual impacts from the MDSP; (ii) a developer is required to advance the funding for or otherwise construct public improvements earlier than is required to serve the MDSP; or, (iii) to mitigate actual impacts from the MDSP. Specific terms of credit and/ reimbursement agreements will be subject to future negotiations between the developer and the City. To the extent credits exceed the amount of applicable fees the developer would pay, the developer may enter into a credit/reimbursement agreement with the City, which would describe the terms of reimbursement to the developer and the ability of the developer to assign the credits to other MDSP area projects.

Another mechanism that may be required to fund infrastructure operation, maintenance, and capital replacement are assessment benefit districts. These districts are typically established for specific onsite

improvements that require specific infrastructure for the sole convenience/use by the development. Most common examples of assessment benefit districts for infrastructure include those for sanitary sewer lift stations, drainage and flood control infrastructure, and potable water booster stations. These improvements and their respective assessments would be identified as part of individual development proposals as the onsite infrastructure associated with the MDSP is developed and designed in detail. Assessment benefit districts would be subject to the California Proposition 218 process.

INFRASTRUCTURE FINANCING PERFORMANCE STANDARDS

The following performance standards are proposed as part of the MDSP for future advancement of infrastructure funding:

- All development within the MDSP area, new and existing, regardless of private or public ownership, shall be subject to the payment of applicable fees, assessments, special taxes, and any other charges in accordance with any subsequent infrastructure financing plan or impact fee adopted by the City Council for the MDSP, including any authorized adjustments thereto as provided within such infrastructure financing plan, and any other fees adopted by the City in accordance with the requirements of Chapter 5 (commencing with Section 66000) of Division 1 of Title 7 of the Government Code, or pursuant to any other enabling law. Such infrastructure financing plan may include but is not limited to roadway, transit, water supply, sanitary sewer, drainage, fire protection, landscape and lighting facilities, and utilities.
- No subsequent entitlements including but not limited to rezones, tentative subdivision maps, use permits and variances; or building permits shall be approved for the MDSP area unless one of the following has occurred:
 - A MDSP area infrastructure financing plan has been adopted by the City Council and the resulting financing mechanism has been implemented; or
 - Prior to issuance of any building permit, an agreement, in a form acceptable to the City of Fortuna, shall be executed which obligates the owner, lessor or lessee to:
 - Contribute a cash amount, determined by the ~~Public Works Director~~City Manager, to the Financing Plan to finance the cost of infrastructure improvements, apportioned to the individual project; and
 - Contribute to the Financing Plan annually a cash amount determined by the City Manager for maintenance, apportioned to the individual project, in the MDSP area.
 - No entitlement (tentative maps, conditional use permits, building permits or other entitlements) shall be granted for development which results in a cumulative wastewater flow exceeding the capacity of the Loni Drive sewer interceptor, until the Public Works Director determines that improvements to that facility have been constructed and are available, adequate, and reliable to serve buildout of the Mill District Specific Plan and the surrounding region.