

# **STAFF REPORT**

## *City Council Business Item*

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**DATE:** October 21, 2024

**TO:** Honorable Mayor and Council Members

**FROM:** Amy Nilsen, Interim City Manager

**SUBJECT:** **Professional Services Agreement for a Feasibility Analysis for the Fortuna Enhanced Infrastructure Finance District**

### **STAFF RECOMMENDATION:**

Receive staff report and authorize the Interim City Manager to sign a professional services agreement for a Financing District Feasibility Analysis for the Fortuna Enhanced Infrastructure Finance District (EIFD).

### **EXECUTIVE SUMMARY:**

An Enhanced Infrastructure Finance District (EIFD) is a special financing district, a governmental entity comprised of both public and private partners, and distinct from the entity that establishes it. EIFDs can aid communities in funding a wide and diverse variety of public capital improvement projects and other projects of communitywide significance outlined in state law, by capturing and leveraging property tax increment (PTI) generated within the EIFD area. The EIFD does not impose a new tax. Improvements gained through EIFD funding support future development and result 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 that 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.

On August 19<sup>th</sup> the City Council authorized the Interim City Manager to explore establishing a Fortuna Enhanced Infrastructure Finance District. Upon further researching an EIFD, it became apparent a consultant is necessary to determine the feasibility of an EIFD. The scope of this project that requires the use of a consultant includes the following:

### **Evaluation of Boundary and Strategic Considerations**

- Property and land ownership and planned/proposed potential future development
- Infrastructure needs and estimated costs
- Potential public and private sector partners (e.g., City, County of Humboldt, other affected taxing entities, developers/property owners)
- Overlap with former Redevelopment Agency Project Area boundaries and status of redevelopment dissolution.

## Preliminary Funding and Financing Analysis

- Potential assessed value generation from future development in the district
- Property tax increment funding capacity at select annual benchmarks and cumulatively over the estimated district lifetime(s)
- Initial estimates of potential bonding capacity (to be prepared by Kosmont Financial Services, registered Municipal Advisor)
- Complementary economic development tools and funding resources (e.g., community facilities district [CFD] financing, grants, leverage of City-owned real estate assets, outstanding debt refinancing strategies, zoning incentive programs)
- Comparison of potential revenue generation to types and cost of targeted infrastructure improvements
- As related to the potential overlap of proposed district boundaries with former redevelopment agency project areas, analysis of corresponding relevant outstanding enforceable obligations and implications on available revenues.

## Governance and Implementation Roadmap

Evaluate and summarize feasible governance and implementation alternatives, including district governing board composition, voting/approval procedures, district formation milestones debt issuance procedures, and estimated timing, to provide potential public and private sector stakeholders with an illustrative “roadmap” for implementation.

## City Meeting/Workshop

Coordinate a virtual meeting with City staff, City Council, and other key community stakeholders, such as residents, property owners, and local developers. Preparation and presentation of an overview of relevant tools and feasibility analysis findings. The purpose of the workshop will be to facilitate the education of key stakeholders, determine the priority projects to be funded by the preferred tool(s), and confirm the objectives related to potential implementation.

Three consulting firms were contacted and two submitted proposals to assist in the development and feasibility of an EIFD for Fortuna.

<b>Name of Contractor</b>	<b>Base Bid Amount</b>
<b>Kosmont Companies</b>	<b>\$24,750</b>
<b>Dta Finance</b>	<b>\$40,000</b>

The lowest cost proposal was submitted by Kosmont Companies with a total price of \$24,750.

City staff have confirmed that the proposal received from Kosmont Companies is fully responsive. Staff recommends awarding the professional services agreement to Kosmont Companies.

It should be noted that both proposals received mention additional phases of the project, and staff may return at a later date to complete the EIFD project at such time is warranted. Additional services include:

- Taxing entity (e.g., County) stakeholder outreach for potential partnership
- Preparation of Infrastructure Financing Plan (IFP) or other required documentation based on preferred tool(s)
- District formation hearings
- Municipal Advisory activities for potential debt issuances

### **City of Fortuna Infrastructure and Mill District**

The City of Fortuna has a number of needed public capital improvement projects, such as improvements to the US 101 interchanges at 12<sup>th</sup> Street and Kenmar Road. US 101 bisects the City, cutting off the Riverwalk area from downtown and other areas of the City. The existing configuration at both interchanges is confusing, complex, and inefficient and results in excessive vehicle queuing and poor levels of service. In addition, there are limited to no pedestrian and bicycle facilities allowing for safe multi-modal transport, no sense of community/place, and poor visual presentation. The City has significant residential and commercial development potential, but the current configuration limits economic and residential development opportunities. Improvements to these interchanges will allow for the growth of the City, reconnect the City to the Eel River, and allow for safe pathways for bicyclists and pedestrians. In addition, due to existing and expanding traffic volumes, these intersections will become a failure in 20 years, almost universally falling below identified General Plan performance targets.

The cost of interchange improvements is beyond what can be funded by development fees, and the City and region have limited funding available to continue to advance the projects described in this staff report, again these infrastructure projects are pivotal to facilitate the mill site buildout. Through the years, staff have applied for many federal transportation grants that could fund all or a majority of these projects, but have so far been unsuccessful in those applications.

The Mill District, particularly the Fortuna Mill Commerce Center as envisioned in the Mill Site Specific Plan, will be a hub for diverse use in the region. The area will be a well-designed center of commerce with flex space, transportation, general commercial, advanced manufacturing, medical, government, office, multi-family residential, and compatible industrial uses. For the Mill District to be fully actualized, the city's infrastructure will need to be addressed. The EIFD is one potential funding source that may help address the infrastructure needs in Fortuna.

### **FINANCIAL IMPACT:**

The not to exceed cost for the professional services agreement with Kosmont is \$24,750. The funds for this agreement would come from General Fund reserves. The City's current reserves sit at around \$6.0 million which is \$1.1 million above the required minimum as set with the City's reserve policy.

**RECOMMENDED COUNCIL ACTION:**

1. Receive staff report and review Council questions with staff
2. Open Public Comments
3. Close Public Comments
4. Authorize the Interim City Manager to sign a professional services agreement for a Feasibility Analysis for the Fortuna Enhanced Infrastructure Finance District. Voice vote.

**ATTACHMENTS:**

- Attachment A – Kosmont Professional Services Agreement
- Attachment B - Supplemental Budget Request