

# **STAFF REPORT**

## *City Council Business Item*

---

**DATE:** May 5, 2025

**TO:** Honorable Mayor and Council Members

**FROM:** Amy Nilsen, City Manager

**SUBJECT:** Feasibility Analysis for the Fortuna Enhanced Infrastructure Finance District

### **STAFF RECOMMENDATION:**

Receive staff report and consider the Feasibility Analysis for a Fortuna Enhanced Infrastructure Finance District (EIFD).

### **EXECUTIVE SUMMARY:**

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; and preliminary funding and financing analysis. On October 21, 2024 the City Council authorized the Interim City Manager to execute a contract with Kosmont Companies to conduct a feasibility analysis of a Fortuna EIFD.

Before your City Council today, is Kosmont Companies staff to share the results of the feasibility analysis.

### **ADDITIONAL BACKGROUND:**

An 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. The most financial benefit for the City would involve a partnership with one or more other taxing entities, such as the County of Humboldt, where dollars are pooled to fund projects within the City. Under the EIFD law, school districts are precluded from participation.

## **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 professional services agreement with Kosmont is \$24,750. The funds for this agreement came from General Fund reserves. There is no additional financial impact to receiving the Kosmont feasibility analysis.

### **RECOMMENDED COUNCIL ACTION:**

1. Receive staff report and review Council questions with staff
2. Open Public Comments
3. Close Public Comments
4. Consider the following actions:
  - a. No action. Receive and file the report only.
  - b. Direct staff to contact the County of Humboldt to explore an EIFD partnership based on the EIFD Boundary presented as Alternative #1: Specific Plan and Other Sites.
  - c. Voice vote.

### **ATTACHMENTS:**

- Attachment A – Infrastructure Financing District Analysis Summary March 2025