



CITY OF
FORTUNA CA

Infrastructure Financing District Analysis Summary

March 2025

**Prepared by:
Kosmont Companies**

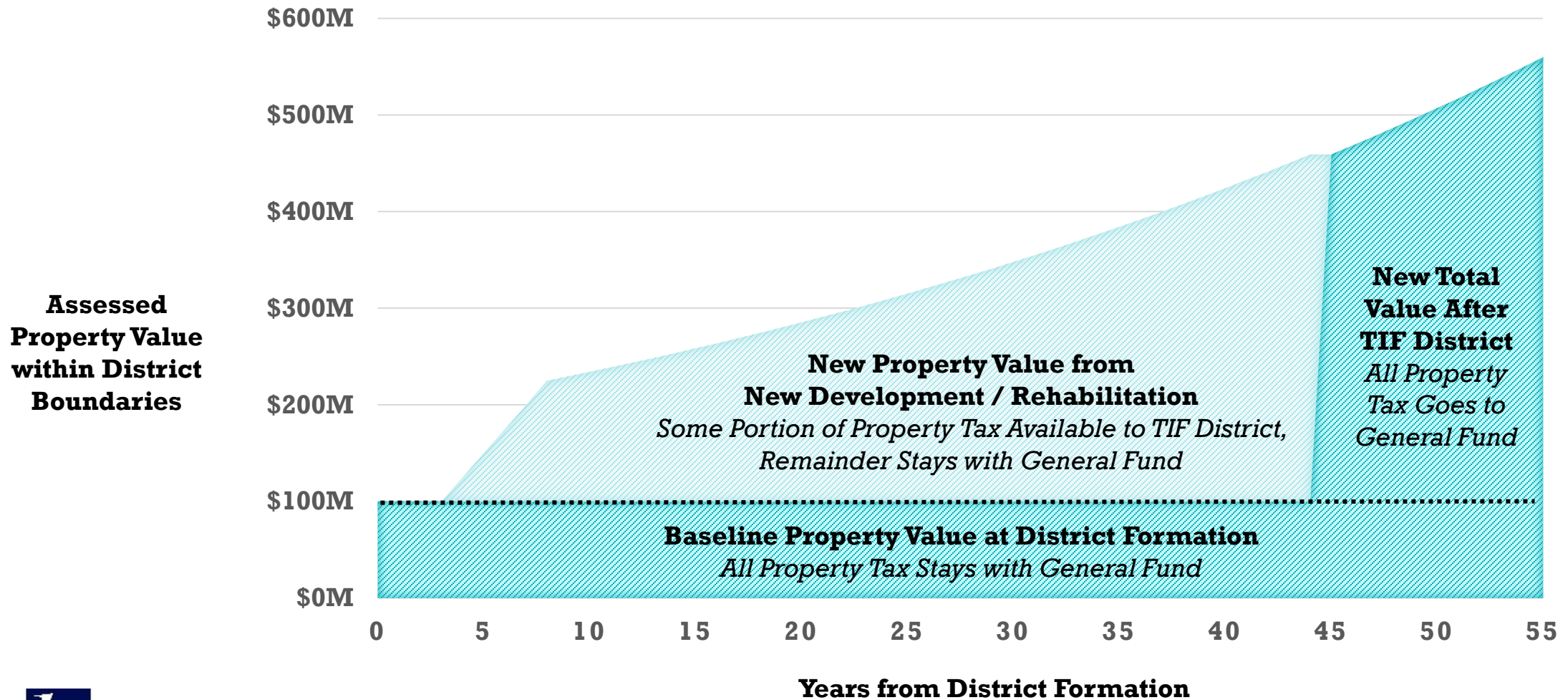
Background

- The City of Fortuna is evaluating the use of a special purpose financing district such as an **Enhanced Infrastructure Financing Districts (EIFD)** to capture value from potential new development to fund critical infrastructure and community investment priorities
- EIFD tax increment financing (TIF) capacity is estimated to range of up to **\$80M** on a present-value basis
- While a City-only financing district strategy would likely achieve favorable “return on investment” for the City, a broader partnership including the County of Humboldt would further improve financial feasibility
- In addition to the EIFD funding capacity, the EIFD would elevate the City’s ability to attract other public funding, particularly state and federal grants
- Subject to feedback from City staff and City Council, immediate next steps could include outreach to the County to discuss potential EIFD partnership

Presentation Outline

1. Overview of Tax Increment Financing (TIF) and EIFD
2. District Boundary Considerations for Fortuna
3. Funding and Financing Analysis
4. Potential Next Steps and Timing

What is Tax Increment Financing (TIF) – Not a New Tax



Note: Illustrative. Conservative 2% growth of existing assessed value (A/V) shown; does not include mark-to-market increases associated with property sales.

Mechanics of TIF / EIFD



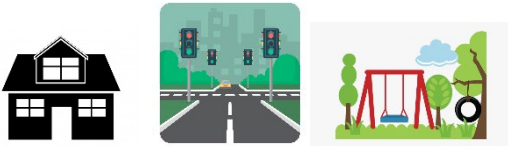
Private property investment or new development



Increased property tax revenue from new property value

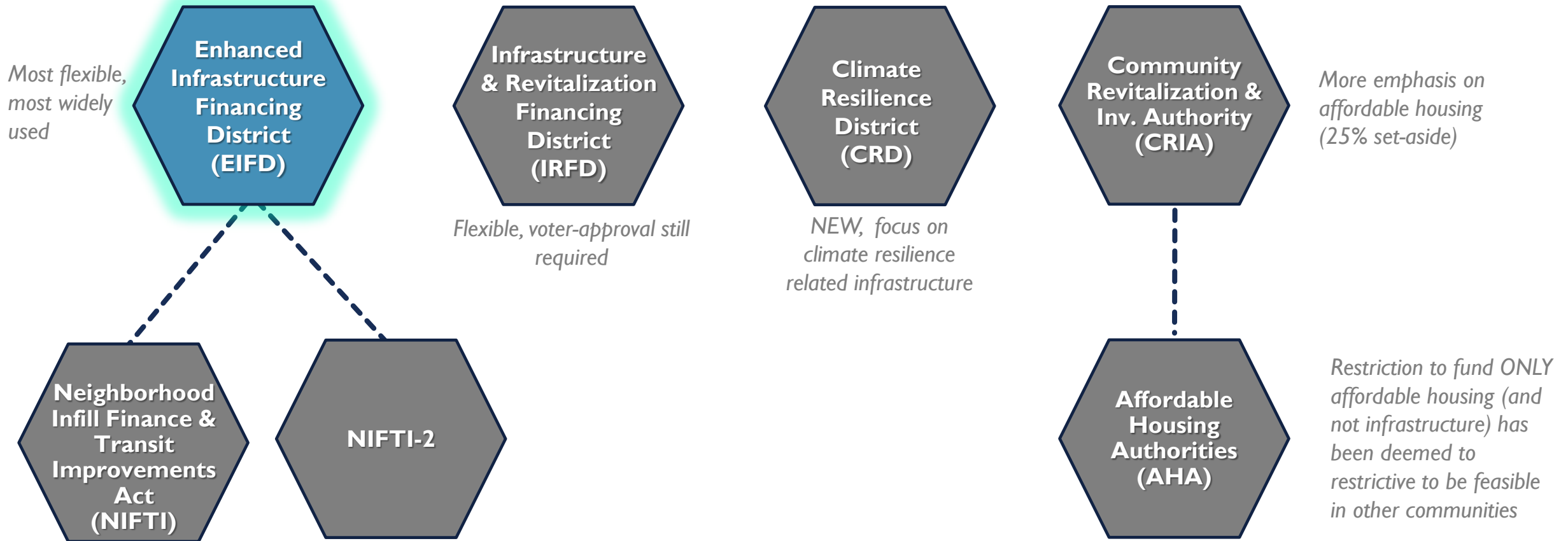


Deposited in separate EIFD fund



Funds pay for public improvements

TIF Alternatives in California Today



EIFD Fundamentals

| | |
|----------------------------|---|
| Long Term Districts | 45 years from first bond issuance |
| Governance | Public Financing Authority (PFA) implements Infrastructure Financing Plan (IFP) |
| Approvals | Mandatory public hearings for formation with protest opportunity; no public vote |
| Eligible Projects | Any property with useful life of 15+ years & of communitywide significance; purchase, construction, expansion, improvement, seismic retrofit, rehabilitation, and <u>maintenance</u> |

Types of Projects EIFD Can Fund

Partial List



Storm / Flood / Public Facilities



Roadway / Parking / Transit



Parks / Open Space / Recreation



Libraries & Childcare Facilities



Brownfield Remediation



Affordable Housing



Broadband



**Wildfire Prevention / Other
Climate Change Response**



**Small Business /
Nonprofit Facilities**

TIF Today versus Former Redevelopment Agencies

Sample of Differences

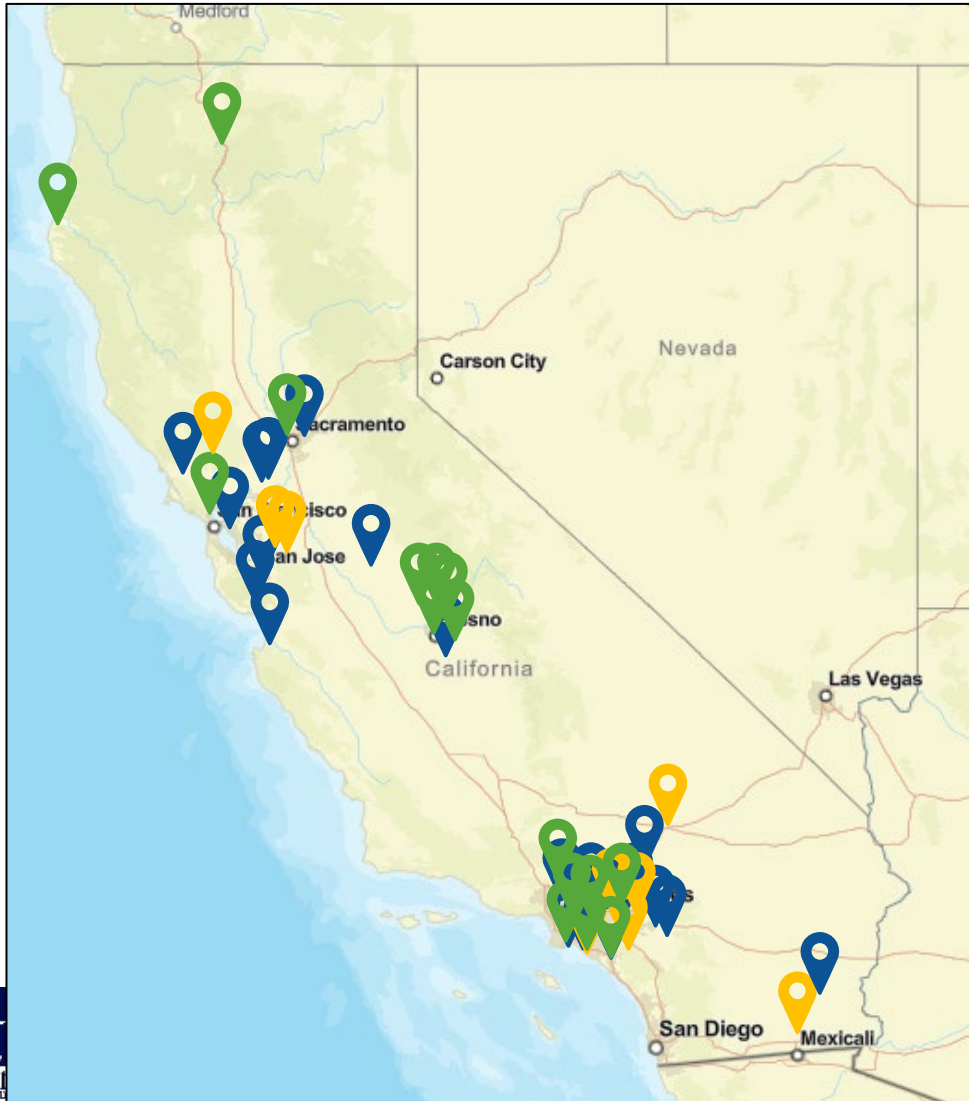
| | Former RDAs | EIFDs / CRDs / CRIAs |
|--------------------------------------|--|--|
| Eligible Use of Funds | <ul style="list-style-type: none"> • Infrastructure and affordable housing • Mixed-income housing • Land clearing and parcel assembly • Tax and other private business / developer subsidies | <ul style="list-style-type: none"> • Public infrastructure (e.g., roads, flood control, open space, utilities) • Public facilities • Affordable housing |
| Eminent Domain / Condemnation | <ul style="list-style-type: none"> • Allowed | <ul style="list-style-type: none"> • Not allowed |
| Eligible Areas | <ul style="list-style-type: none"> • Must qualify as “blighted” | <ul style="list-style-type: none"> • No “blight” finding required |
| Governance | <ul style="list-style-type: none"> • City Council or County Board • School entity participation | <ul style="list-style-type: none"> • Public Financing Authority including Public Members (no school entities) |
| Formation | <ul style="list-style-type: none"> • Vote of governing body | <ul style="list-style-type: none"> • 3 public hearings, majority protest opportunity from landowners and registered voters within district |

Why are Public Agencies Authorizing Financing Districts?

1. Return on Investment: Private sector investment induced by district commitment accelerates growth of **net fiscal revenues, job creation, housing production, essential infrastructure improvements**
2. Ability to attract additional funds / other public money (“OPM”) – tax increment from other entities (county, special districts), federal / state grants / loans (e.g., for transit-oriented development, water, housing, parks, remediation)

Districts in Progress Statewide

(Partial List of EIFDs/CRDs/CRIAs)



| Jurisdiction | Purpose |
|--|---|
| Apple Valley | Industrial and housing supportive infrastructure |
| Banning (CRIA) | Downtown revitalization, industrial infrastructure |
| Barstow | Industrial and housing supportive infrastructure |
| Brentwood | Housing, employment, and transit-supportive infrastructure |
| Buena Park | Mall reimagination, tourism-supportive infrastructure |
| Calipatria (CRD) | Economic and climate resilience infrastructure |
| Carson + L.A. County | Remediation, affordable housing, recreation |
| Citrus Heights | Mall reimagination |
| Covina | Downtown housing and blended use supportive infrastructure |
| Fairfield | Downtown, housing, and transit-supportive infrastructure |
| Fresno | Downtown, housing and transit-supportive infrastructure |
| Fresno County | Industrial and commercial supportive infrastructure |
| Humboldt County | Coastal mixed-use and energy supportive infrastructure |
| Inglewood (CRD) | Transportation and affordable housing |
| Imperial County | Renewable energy, housing and infrastructure |
| La Verne + L.A. County | Housing and transit-supportive infrastructure |
| Lakewood + L.A. County | Mall reimagination, smart streets, affordable housing |
| Long Beach | Economic empowerment and affordable housing |
| Los Angeles (Downtown, San Pedro, other) | Affordable housing and transit-supportive infrastructure |
| Los Angeles County West Carson | Housing / bio-science / tech infrastructure |
| Madera County (3 Districts) | Water, sewer, roads and other housing infrastructure |
| Modesto + Stanislaus County | Downtown, housing, and recreation infrastructure |
| Mount Shasta | Rural brownfield mixed-use infrastructure |
| Napa | Downtown, housing, tourism supportive infrastructure |
| Norwalk + L.A. County | Affordable housing and infrastructure |
| Ontario | Airport-related, blended use, infrastructure |
| Palmdale + L.A. County | Housing, blended use, transit infrastructure |
| Pittsburg | Housing, commercial, and tech park infrastructure |
| Placentia + Orange County | Housing and TOD infrastructure |
| Rancho Cucamonga | Blended use and connectivity infrastructure |
| Redlands | Education related blended use, mall reimagination |
| Redondo Beach + L.A. County | Parks / open space, recreation infrastructure |
| Riverside County Thousand Palms | Housing, hospitality, medical supportive infrastructure |
| Sacramento County (Unincorporated) | Industrial / commercial supportive infrastructure |
| Salinas | Water, sewer, and other housing supportive infrastructure |
| San Rafael (EIFD + CRD) | Blended-use and climate resilience infrastructure |
| Sanger | Commercial, hospitality, supportive infrastructure |
| Santa Cruz (EIFD + CRD) | Downtown, blended use, and climate resilience infrastructure |
| Santa Rosa + County of Sonoma | Downtown investment, affordable housing, aging infrastructure |
| Vacaville | Housing and business park infrastructure |
| Yucaipa | Housing and commercial infrastructure |

| Fully Formed | In Formation Process | Under Evaluation |
|--------------|----------------------|------------------|
|--------------|----------------------|------------------|

Comparison of TIF and Other Tools

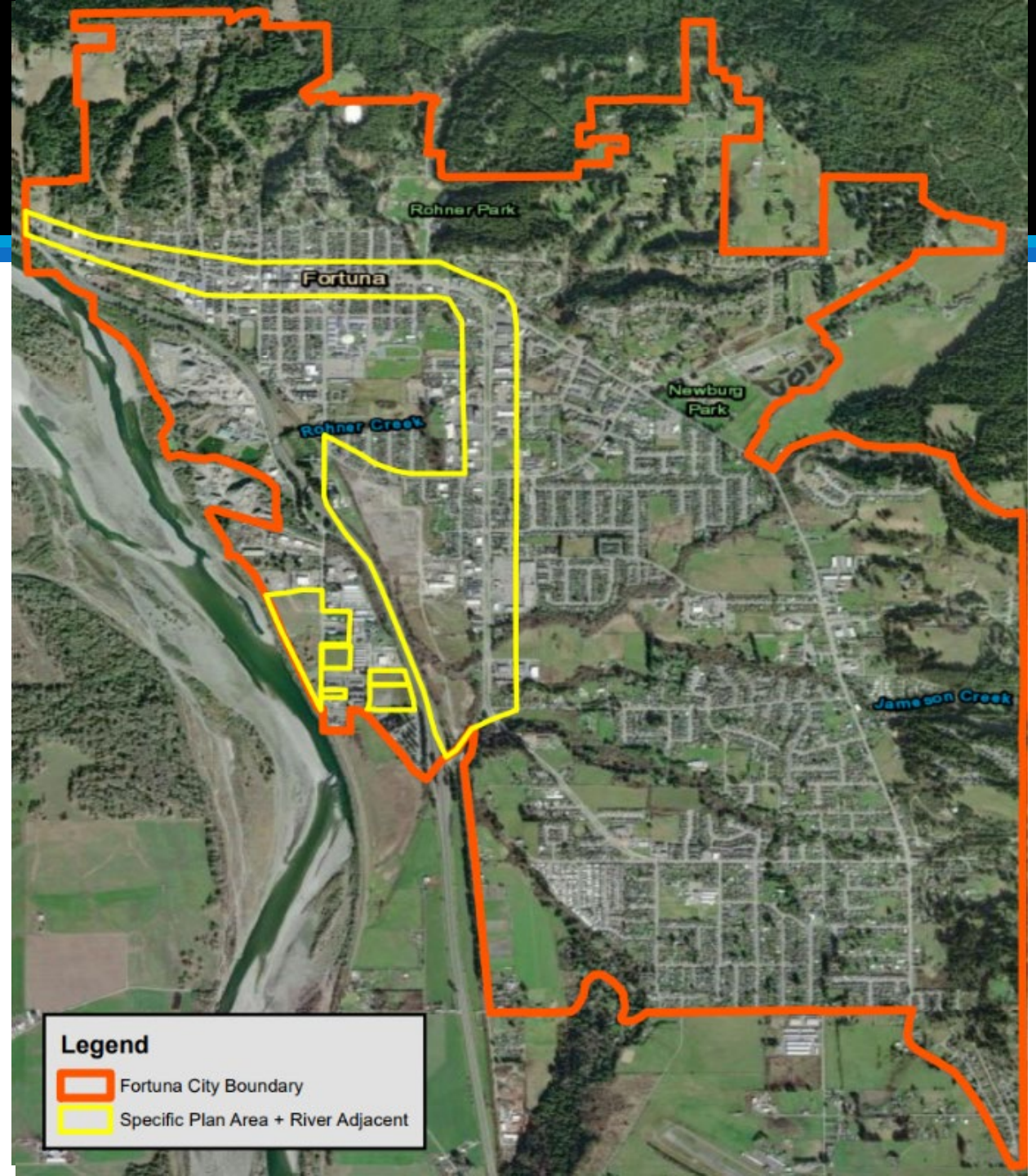
| District Type | Description | Revenue Source | Approval Structure | Use of Funds |
|--|--|---|--|---|
| TIF (e.g., EIFD, CRIA, IFD, IRFD) | Incremental property tax revenues from new development used to fund local infrastructure. Max term is 45 years from approval to issue debt. | Incremental (new development) property tax revenues (incl. VLF) – does not increase taxes | <i>District formation</i> – No vote, but majority protest opportunity by landowners and registered voters <i>Bond issuance</i> – None | <ul style="list-style-type: none"> • Infrastructure of regional or communitywide significance • Maintenance • Affordable housing |
| Mello-Roos Community Facilities District (CFD) and/or Assessment District | Additional assessment or “special tax” used to fund infrastructure / services that benefit property. Max term is 40 years from date of debt issuance. | New property assessment or tax – appears as separate line item on tax bill | <i>District formation</i> – 2/3 vote of landowners or registered voters in district* <i>Bond issuance</i> – vote of elected body (City) | <ul style="list-style-type: none"> • Infrastructure capital expenditures of benefit to landowners • Maintenance • Public services (e.g., safety, programs) |
| General Obligation | Voter-approved debt that is repaid with “override” to 1% tax levy; City-wide | Direct property tax levied on all properties at same millage rate | 2/3 vote of registered voters in entire City | <ul style="list-style-type: none"> • In accordance with bond plebiscite |
| Lease Revenue / COPs | General Fund-supported borrowing, generally utilizing City-owned assets to be leased and leased back | General Fund (or other legally available revenues as determined by City) | Vote of elected body (City) | <ul style="list-style-type: none"> • In accordance with bond authorization |

✓ Potential funding strategy can utilize **MULTIPLE** mechanisms



* For CFD formation, a vote of registered voters within the district boundary is required if 12 or more registered voters live therein (otherwise a vote of landowners prorated by acreage).

Potential EIFD Boundary Alternative #1: Specific Plan + Other Sites

- Focus on Mill Site Specific Plan area and certain other opportunity site areas along major corridors
- Approx. 372 acres (12% of City)
- Approx. \$178M in existing assessed value (13% of City)

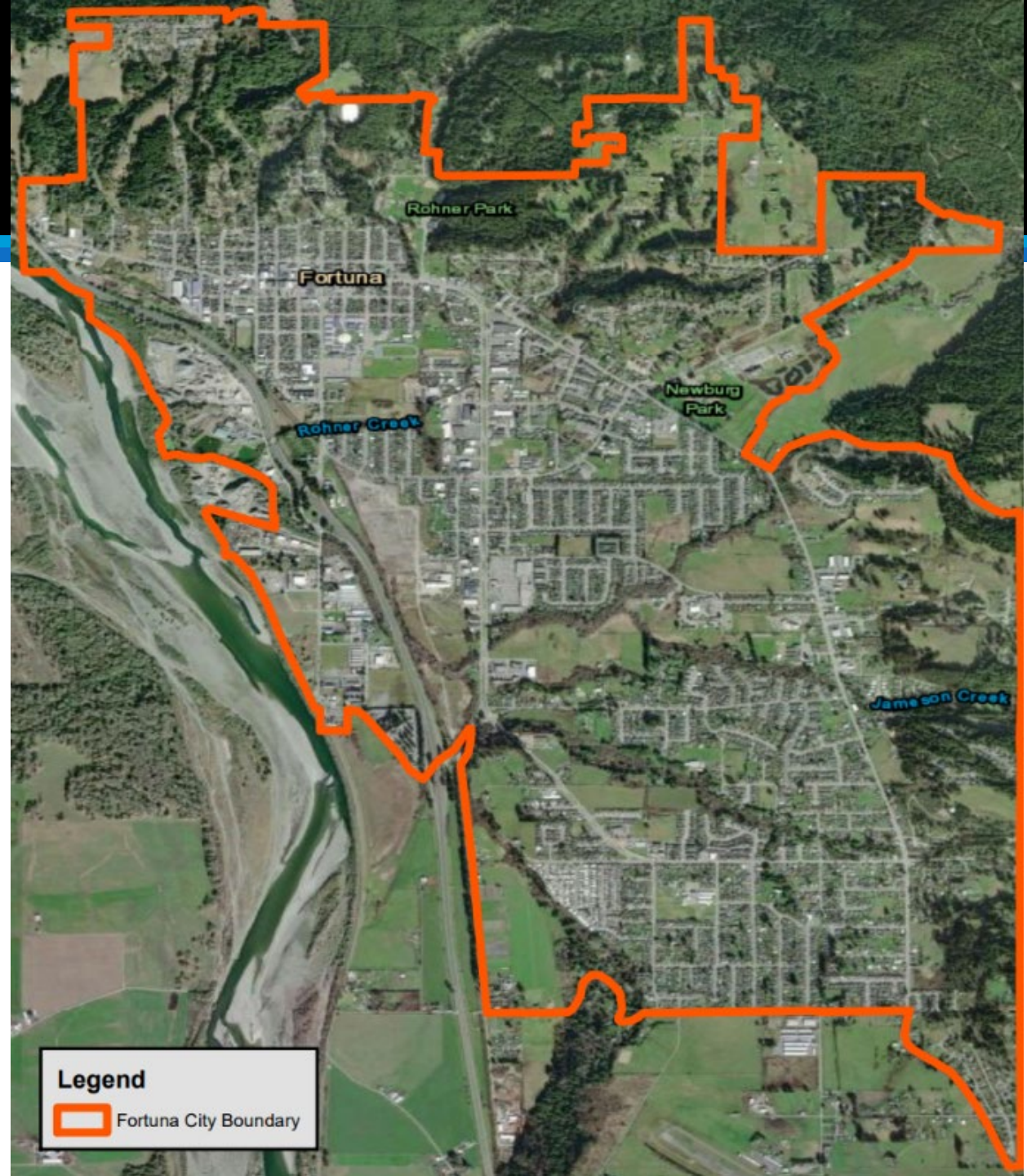


Legend

-  Fortuna City Boundary
-  Specific Plan Area + River Adjacent

Potential EIFD Boundary Alternative #2: Entire City

- Entire City limits
- Approx. 3,000 acres
- Approx. \$1.33B in existing assessed value



Example Potential Investments to Receive EIFD Funding

- a) Roadway interchange improvements
- b) Pedestrian access to Eel River
- c) Downtown improvements (e.g., streetscape, beautification)
- d) Other multimodal improvements
- e) Trails
- f) Parks and open space
- g) Affordable housing

Example Development Assumptions with Specific Plan Area

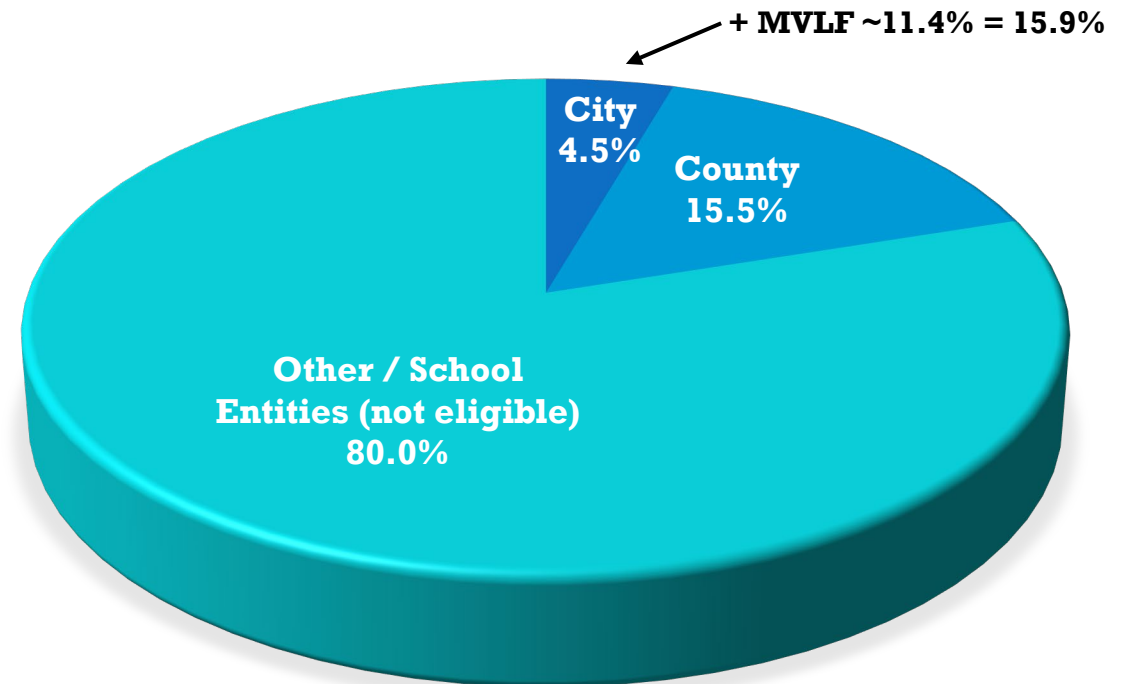
Absorption Assumed over ~20 Years

| Area | # SF or Units | Estimated AV Factor | Estimated Total AV at Buildout |
|---|---------------|---------------------|--------------------------------|
| Residential | 100 units | \$250K per unit | \$25.0 million |
| Hotel | 125 units | \$250K per unit | \$31.3 million |
| Commercial / Retail / Flex | 171,100 SF | \$300 PSF | \$51.3 million |
| Industrial / Flex | 693,400 SF | \$170 PSF | \$117.9 million |
| Total New Development Assumed within EIFD Study Area | | | \$194.2 million |

Property Tax Revenues Available to EIFD

- Primary non-school recipients and potential contributors of property tax are **City and County**
- City share varies by area and averages ~**4.5%** **each** of every \$1 collected in property taxes
 - City additionally receives equivalent of ~**11.4%** of property tax in lieu of motor vehicle license fees (MVLF), also available to EIFD
- County General Fund share varies by area and averages ~**15.5%**
 - County additionally receives property tax in lieu of MVLF, also available to EIFD, but not incorporated into this analysis to be conservative
- School-related entities cannot participate

Property Tax Distribution



As counties tend to rely more heavily on property tax revenue sources generated by new development within incorporated jurisdictions, it is Kosmont's experience that it is not reasonable to assume allocation of property tax in lieu of MVLF by the County. As cities benefit from additional non-property tax revenue sources (e.g., sales tax, transient occupancy tax) from new development, it is Kosmont's experience that it is reasonable for cities to consider contributing property tax in lieu of MVLF.

Tax Rate Area (TRA) weighted average distributions for EIFD Study Area shown. Post-ERAF (Education Revenue Augmentation Fund) distribution.

Parcels within former Redevelopment Agency Project Areas are subject to RPTTF revenue flow until expiration of ROPS obligations.

Source: Humboldt County Auditor Controller (2025)

EIFD Revenue and Bonding Capacity Scenarios

Boundary Scenario #1 – Specific Plan + Other Corridor Sites

| EIFD Revenue Allocation Scenario | Year 5 Accumulated Revenue + Bonding Capacity* | Year 10 Accumulated Revenue + Bonding Capacity* | 50-Year Present-Value @ 3% Discount Rate | 50-Year Nominal Total |
|----------------------------------|--|---|--|-----------------------|
| A) City 25% | \$67,200 | \$273,500 | \$3,905,300 | \$10,728,200 |
| B) City 35% | \$94,000 | \$382,900 | \$5,467,400 | \$15,019,500 |
| C) City 50% | \$134,300 | \$791,800 | \$7,810,600 | \$21,456,400 |
| D) City 75% | \$201,500 | \$1,518,800 | \$11,715,800 | \$32,184,700 |
| E) City 25% + County 25% | \$110,000 | \$528,300 | \$7,602,100 | \$21,030,100 |
| F) City 35% + County 35% | \$154,000 | \$1,004,500 | \$10,643,000 | \$29,442,100 |
| G) City 50% + County 50% | \$220,000 | \$1,718,800 | \$15,204,200 | \$42,060,200 |
| H) City 75% + County 75% | \$620,600 | \$2,909,400 | \$22,806,400 | \$63,090,300 |

City allocation includes allocation from both AB8 + MVLF in-lieu. County allocation does not include MVLF in-lieu.

** Bonding capacity assumes Year 5 is first bond issuance for EIFD. "Year 5 means fifth year of revenue following district formation. Net proceeds shown. Bondable revenue assumes \$25,000 admin charge, 150% debt service coverage. 6.0% interest rate; 30-year term. Proceeds net of 2% underwriter's discount, estimated reserve fund (maximum annual debt service), costs of issuance estimated at \$350,000. Source: Kosmont Financial Services (KFS), registered municipal advisor.*

EIFD Revenue and Bonding Capacity Scenarios

Boundary Scenario #2 – Citywide

| EIFD Revenue Allocation Scenario | Year 5 Accumulated Revenue + Bonding Capacity* | Year 10 Accumulated Revenue + Bonding Capacity* | 50-Year Present-Value @ 3% Discount Rate | 50-Year Nominal Total |
|----------------------------------|--|---|--|-----------------------|
| A) City 15% | \$544,300 | \$2,697,000 | \$17,472,200 | \$47,928,700 |
| B) City 25% | \$1,348,600 | \$4,936,500 | \$29,120,300 | \$79,881,200 |
| C) City 35% | \$2,153,000 | \$7,176,000 | \$40,768,400 | \$111,833,600 |
| D) City 15% + County 15% | \$1,530,400 | \$5,442,600 | \$34,251,100 | \$94,268,300 |
| E) City 25% + County 25% | \$2,992,100 | \$9,512,500 | \$57,085,200 | \$157,113,900 |
| F) City 35% + County 35% | \$4,453,900 | \$13,582,400 | \$79,919,300 | \$219,959,400 |

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Potential Cash Flow / Debt Issuance Approaches

- Kosmont Financial Services is in active discussions with public finance underwriters regarding TIF debt issuances in other jurisdictions
- Underwriters have proposed several approaches for the leverage of tax increment for accelerated debt issuance (e.g., 2-3 years from district formation), for example:
 - a) Tax increment only
 - b) Overlapping TIF and CFD (CFD Backstop) – landowners / developers must be willing to pay CFD special taxes in the short term (e.g., 5-10 years) until tax increment reaches a level to cover debt service
 - c) Tax increment with City or County general fund backstop
- There are advantages and disadvantages with each approach (e.g., upfront proceeds available, public agency risk, cost of capital)
- Additional alternatives are available if private sector partners (e.g., landowners / developers are willing to advance infrastructure funding in exchange for reimbursement from TIF proceeds)

Financing Districts work better with a Multi-Agency Partnership & Attract Other Funding

- Ideal strategy includes City and County partnership
- District which involve a City / County joint effort are more likely to win state grant funding sources
- Districts explicitly increase scoring for CA state housing grants (e.g., IIG, AHSC, TCC)

Other Public Sources

- Cap-and-Trade / HCD grant & loan programs (AHSC, IIG, TCC, CERF)
- Prop 68 parks & open space grants
- Prop 1 water/sewer funds
- Caltrans ATP / HSIP grants
- Federal EDA / DOT / EPA funding
- Federal ARPA, Invest Act, IJ Act



Other Private Sources

- Development Agreement / impact fees
- Benefit assessments (e.g., contribution from CFD)
- Statewide Community Infrastructure Program (SCIP) pooled financing
- Private investment

Report Card on City/County Financing District Partnerships

A growing number of cities are partnering with counties to fund infrastructure through financing districts:

1. Placentia + Orange County
2. La Verne + Los Angeles County
3. Palmdale + Los Angeles County
4. Carson + Los Angeles County
5. Lakewood + Los Angeles County
6. Stockton + Lathrop + Manteca + San Joaquin County
7. Gonzales + Monterey County

Public Agency and Community “Return on Investment”

- Housing: **500+ units**, including **100+ affordable units**
- Economic revitalization, climate resilience, quality of life
- Sustainable infrastructure investment
- Job creation and wages
- Acceleration of development and related fiscal revenues for City and County general funds
- Attract other funding not otherwise available for City projects

Illustrative EIFD Formation Schedule

| Target Date | Task |
|-------------------|---|
| Q1 2025 | a) Conduct outreach/discussion among City staff and Council, County staff and Board of Supervisors, other relevant stakeholders b) Final determination of EIFD boundaries, targeted projects, governing Public Financing Authority (PFA) Board composition |
| Q3 2025 | c) Participating taxing agencies adopt Resolution(s) of Intention (ROI) and formally establish PFA |
| Q3 2025 | d) PFA directs the drafting of the Infrastructure Financing Plan (IFP) |
| Q3 2025 | e) Distribute draft IFP to property owners, affected taxing entities, City Council, County Board of Supervisors |
| Q4 2025 | f) PFA holds an initial public meeting to present the draft IFP to the public and property owners |
| Q4 2025 | g) City Council/legislative bodies of other affected taxing entity contributing increment adopt resolution(s) approving IFP |
| Q4 2025 | h) PFA holds first public hearing to hear additional comments and take action to modify or reject IFP (at least 30 days after “f”) |
| Q4 2025 / Q1 2026 | i) PFA holds second public hearing to consider oral and written protests and take action to terminate proceedings or adopt IFP and form the district by resolution (at least 30 days after “h”) |

- Tax increment allocation begins fiscal year following district formation
- Debt issuance, if desired, would occur after a stabilized level of tax increment has been established (may be 3-5 years)

Potential Next Steps

- Address questions, receive and incorporate feedback from City staff
- Present findings to City Council
- Conduct stakeholder outreach and approach County to discuss potential EIFD partnership
- Based on City/County feedback, pursue district formation as soon as feasible (first action would be City Council consideration of a Resolution of Intention as lead agency)

THANK YOU

Questions?

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