Financing District Analysis Summary and Potential Next Steps

June 2024

Prepared by:
Kosmont Companies

Background

- The City of Santa Cruz Economic Development Department is evaluating the use of financing districts such as an Enhanced Infrastructure Financing District (EIFD) to capture value from potential new development (e.g., Downtown Plan Expansion) to fund critical infrastructure and community investment priorities
- In the context of post-storm repairs and West Cliff damage, it was also desired to evaluate feasibility for implementation of the newly authorized Climate Resilience Districts (CRD)
- EIFD tax increment financing capacity is estimated to range from **$45M to $221M** on a present-value basis among scenarios evaluated
- CRD special tax funding capacity is estimated to range from **$76M to $308M**
- While a City-only financing district strategy would likely achieve favorable "return on investment" for the City, a broader partnership including the County of Santa Cruz would further improve financial feasibility
- Subject to feedback from City staff, City Council, and community stakeholders, immediate next steps could include outreach to the County to discuss potential EIFD / CRD partnership

Additional Documentation

- This presentation is intended to summarize key findings from Kosmont's research and analysis and potential next steps

- More detailed backup information is available in Kosmont's technical task deliverables:

  a) Memorandum with Matrix Exhibit – Identification of Needed Investments in the Proposed Study Area

  b) Memorandum with Map and Matrix Exhibits – Identification of Potential Boundaries and Initial Screening Criteria

  c) Analysis Detail – Development Assumptions, Financing District Tax Increment and Special Tax Revenue Analysis

  d) Stakeholder Engagement Plan and Findings

  e) Matrix – Overview of Financing District Alternatives and Related Legislation

Presentation Outline

1. Overview of Funding and Financing Tools

2. District Boundary Considerations for Santa Cruz

3. Funding and Financing Analysis

4. Potential Next Steps and Timing

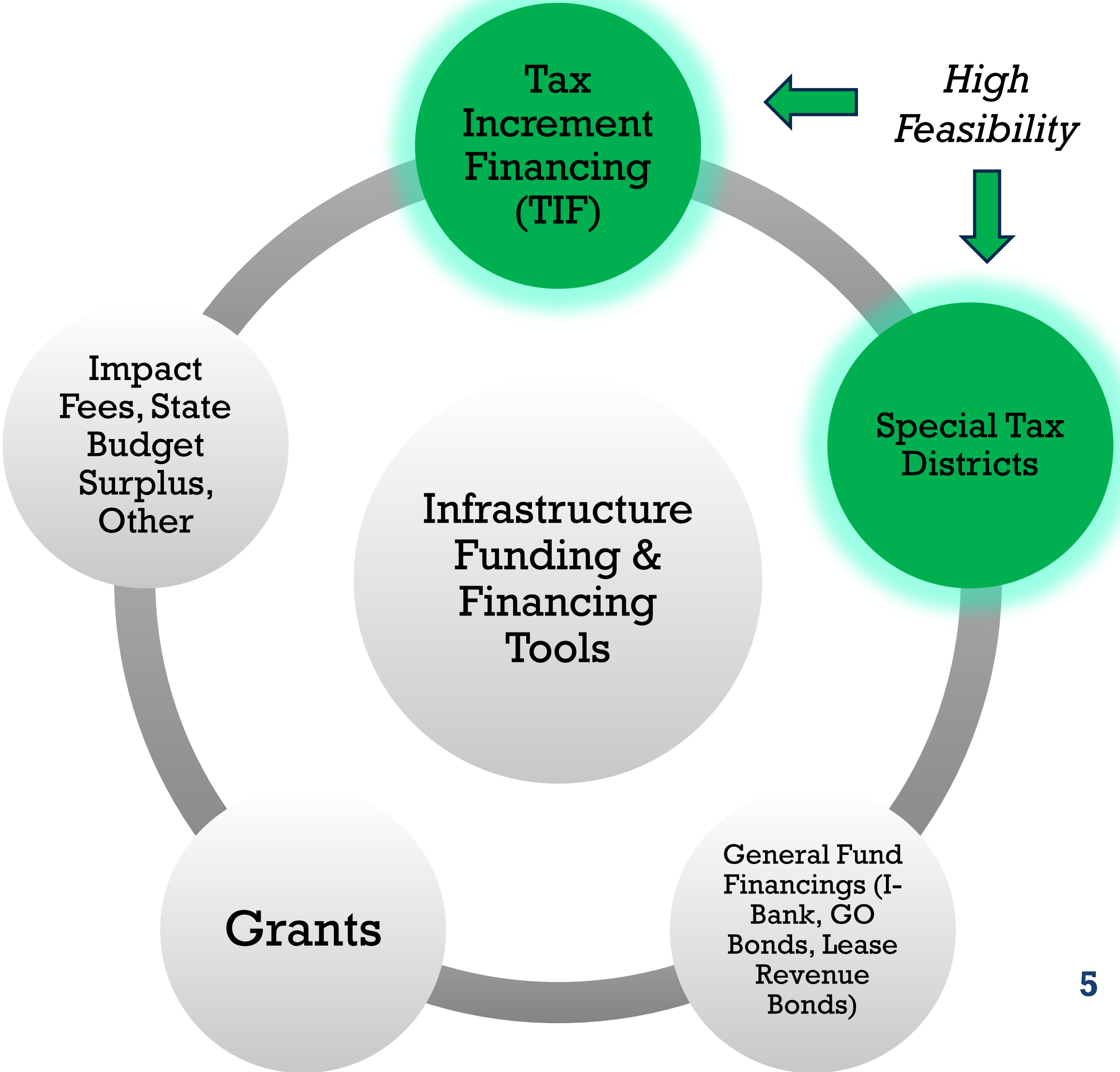
Overview of Primary Development Finance Tools

- With respect to locally-authorized financing mechanisms for infrastructure and climate resilience, the two primary categories of tools may have most viability: Tax Increment Financing (TIF) and Special Tax Districts

- TIF districts do not create a new tax on property, but rather allow taxing entities, such as the City and County, to set aside some portion of future property tax growth within a defined boundary for a specific purpose (e.g., climate resilience infrastructure)

- Special Tax Districts do indeed create a new tax on property, but would require landowner or voter approval to levy such a special tax, and would be restricted for a special purposes (e.g., climate resilience infrastructure)

- These tools are prioritized due to their ability to provide reliable, ongoing revenues for specific purposes at the direction of a local agency such as the City



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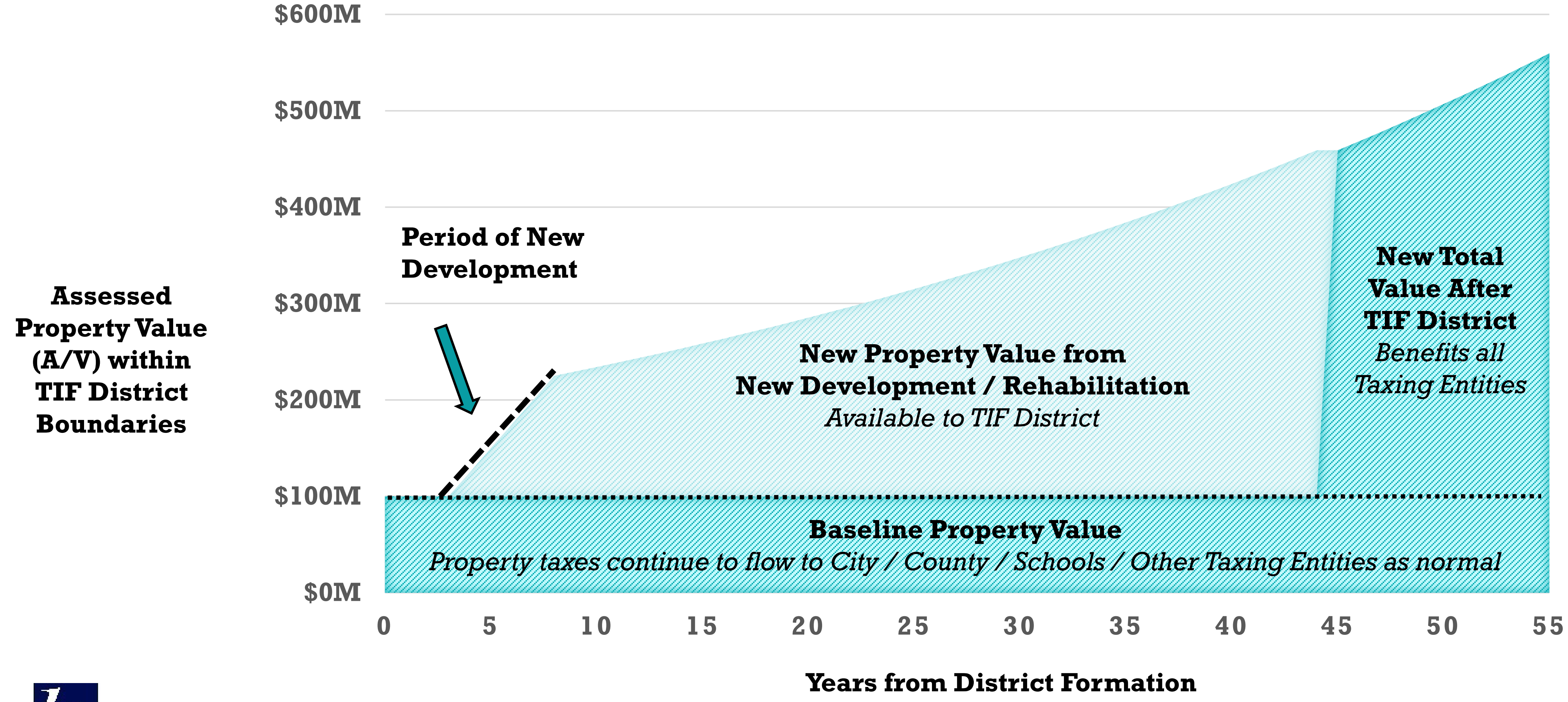
What is Tax Increment Financing (TIF) – <u>Not a New Tax</u>



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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

Most flexible, most widely used

Enhanced Infrastructure Financing District (EIFD)

Infrastructure & Revitalization Financing District (IRFD)

Flexible, voter-approval still required

Climate Resilience District (CRD)

NEW, focus on climate resilience related infrastructure

Community Revitalization & Inv. Authority (CRIA)

More emphasis on affordable housing (25% set-aside)

Neighborhood Infill Finance & Transit Improvements Act (NIFTI)

NIFTI-2

Coterminous requirement and other requirements have made NIFTI & NIFTI-2 infeasible in other communities

Affordable Housing Authorities (AHA)

Restriction to fund ONLY affordable housing (and not infrastructure) has been deemed to restrictive to be feasible in other communities

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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 **maintenance**

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The New TIF District in Town – CRDs

SB 852 Creates Climate Resilience Districts

Purpose	Allows city, county, special district, or combination of entities to form a Climate Resilience District, which can fund projects to mitigate climate change.
Powers	Broad financing powers, including the power to tax, with voter approval (and use of property tax share, with affected agency consent) • Taxing power – can levy a benefit assessment, special tax, property-related fee, or other service charge / fee (**subject to landowner/voter approval**) • Other funds – can apply for and receive federal / state grants, receive gifts / grants / allocations from public and private entities • Bonds – TIF, can issue revenue bonds, incur general obligation bonds • Administration – powers needed to administer district, like hiring staff
Eligible Projects	Wide range of eligible projects, including: • Sea Level Rise / Flooding – sea level rise, sea walls, wetlands restoration, erosion control, levies, structure elevation / relocation, flood easements • Extreme Weather – facilities / improvements for extreme heat, extreme cold, rain / snow • Wildfire – fire breaks, prescribed burning, structure hardening, vegetation control • Drought – land repurposing, groundwater replenishment, groundwater storage

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CRD Special Tax Authority
New Special Tax within Defined Area

- In addition to EIFD, the City may choose to leverage the special tax authority within a CRD
- Amount of funds available depends on the appraised value of the land, value of future development, and special tax rates determined to be appropriate, <u>approved by landowners</u>
- From a public agency perspective, there is no investment of public funds involved, beyond facilitating a bond issuance in a conduit capacity (debt service is secured by a lien on the private property)
- From a landowner perspective (incl. future homeowners), to service the bonds, landowners pay an increased property tax typically ranging from 0.05% to 0.45% of value for 30 years or more

<u>Requires a vote</u>

<u>Can Vary by Land Use</u>

Example Land Use Categories	CFD Special Tax Rate
Single Family Residential	$X per unit annually
Multifamily Residential	$X per unit annually
Commercial Uses	$X per acre annually
Industrial Uses	$X per acre annually

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Types of Projects EIFD Can Fund
Partial List

Storm / Flood / Public Facilities

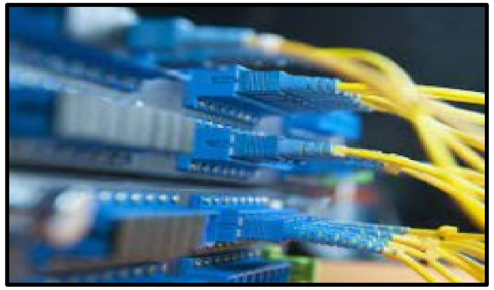
Roadway / Parking / Transit

Parks / Open Space / Recreation

Libraries & Childcare Facilities

Brownfield Remediation

Affordable Housing



Broadband

Wildfire Prevention / Other Climate Change Response

Small Business / Nonprofit Facilities

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EIFD versus Former Redevelopment Agencies
Sample of Differences

	Former RDAs	EIFDs
Eligible Use of Funds	• Infrastructure and affordable housing • Mixed-income housing • Land clearing and parcel assembly • Tax and other private business / developer subsidies	• Public infrastructure (e.g., roads, flood control, open space, utilities) • Public facilities • Affordable housing
Eminent Domain / Condemnation	• Allowed	• Not allowed
Eligible Areas	• Must qualify as "blighted"	• No "blight" finding required
Governance	• City Council or County Board • School entity participation	• Public Financing Authority including Public Members (no school entities)
Formation	• Vote of governing body	• 3 public hearings, majority protest opportunity from landowners and registered voters within EIFD

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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)

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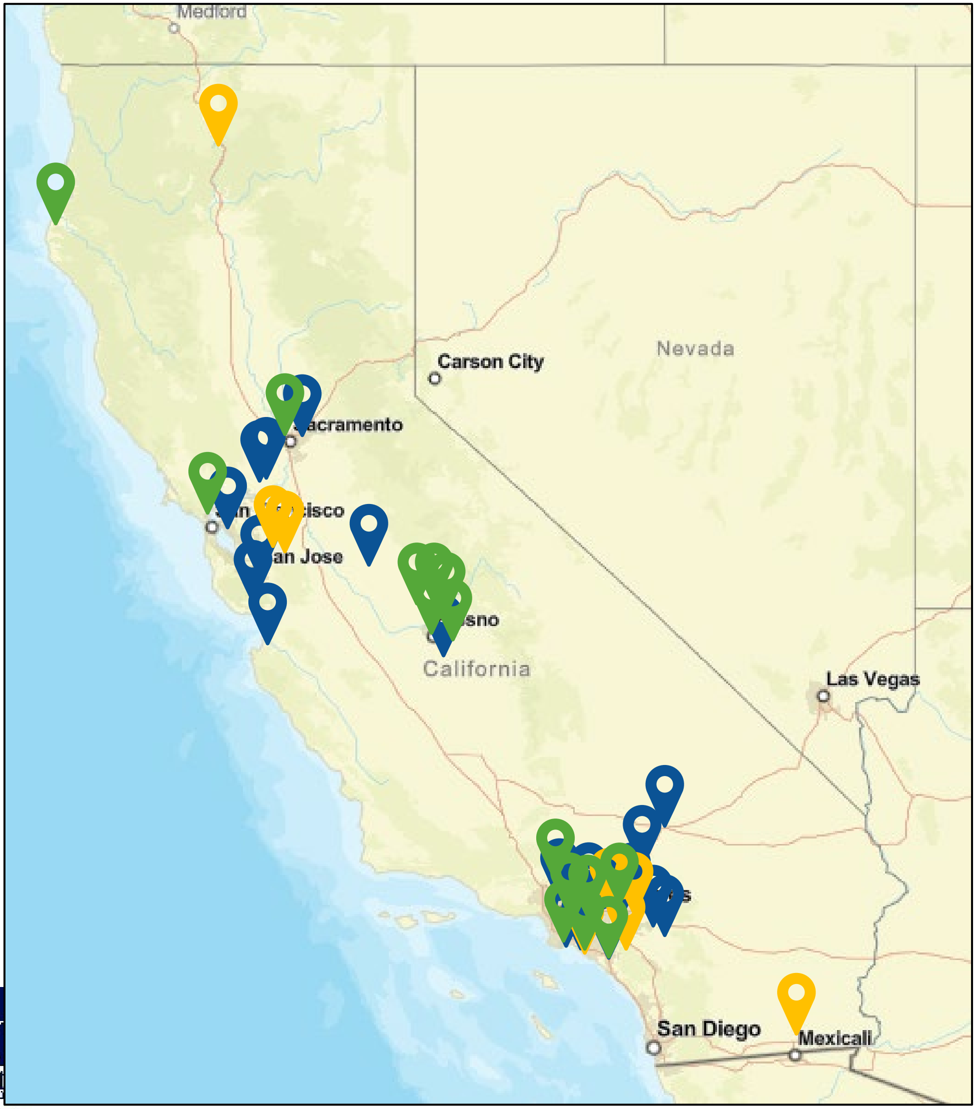
TIF Districts in Progress Statewide
(Partial List)



Jurisdiction	Purpose
Apple Valley	Industrial and housing supportive infrastructure
Banning	Downtown revitalization, industrial infrastructure
Barstow	Industrial and housing supportive infrastructure
Brentwood	Housing, employment, and transit-supportive infrastructure
Buena Park	Mall reimagination, housing-supportive 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
Indian Wells	Housing and tourism-supportive infrastructure
Imperial County	Industrial, renewable energy, and housing and infrastructure
La Verne + L.A. County	Housing and transit-supportive infrastructure
Long Beach	Economic empowerment and affordable housing
Los Angeles (Downtown, San Pedro, other)	Affordable housing and transit-supportive infrastructure
Los Angeles County Uninc. 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 + Siskiyou County	Rural brownfield mixed-use infrastructure
Napa	Downtown, housing, tourism supportive infrastructure
Oakland	Affordable housing and infrastructure
Ontario	Industrial and housing infrastructure
Palmdale + L.A. County	Housing and commercial 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 and blended use infrastructure
Redondo Beach + L.A. County	Parks / open space, recreation infrastructure
Riverside	Affordable housing and infrastructure
Sacramento County (Unincorporated)	Industrial / commercial supportive infrastructure
San Jose	Affordable housing and TOD infrastructure
Sanger	Housing and commercial supportive infrastructure
Santa Cruz	Downtown and blended use infrastructure
Santa Fe Springs	Blended use infrastructure
Selma	Water, sewer, and other housing supportive 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	*District formation* – No vote, but majority protest opportunity by landowners and registered voters *Bond issuance* – 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	*District formation* – 2/3 vote of landowners or registered voters in district* *Bond issuance* – vote of elected body (City)	• 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	• 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)	• In accordance with bond authorization

✓ Potential funding strategy can utilize MULTIPLE mechanisms

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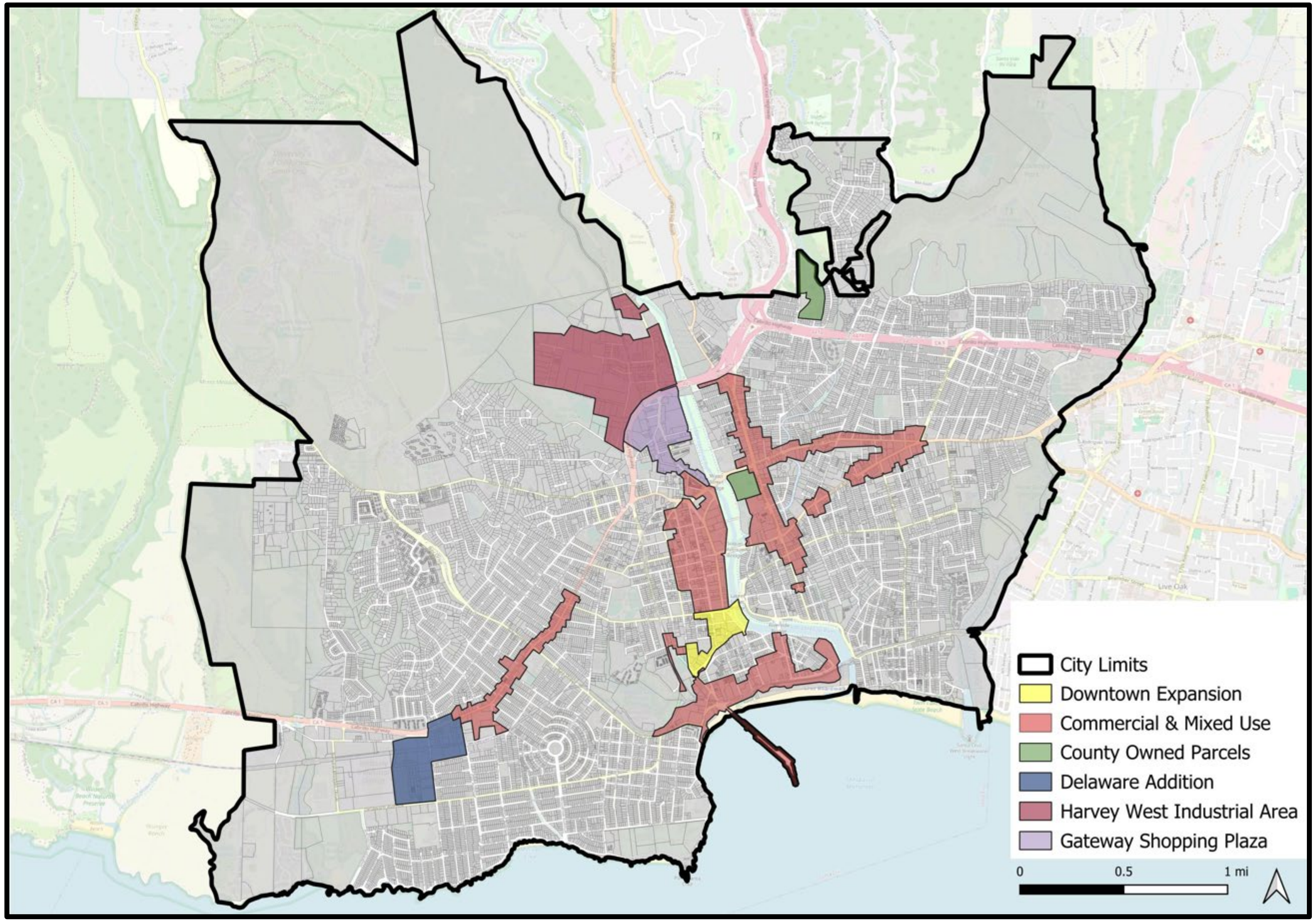
* For CFD formation, a vote of registered voters within the district boundary is required if 12 or more registered voters live therein (otherwise a vote of landowners prorated by acreage).

Potential Enhanced Infrastructure Financing District (EIFD) Boundary

Downtown + Mixed-Use Corridors + County-owned Opportunity Sites



- Approx. 543 acres (~5% of City-wide acreage)
- Approx. $1.9B in existing assessed value (~15% of City-wide A/V)

All six subareas proposed for inclusion

Source: City of Santa Cruz; Santa Cruz County Auditor-Controller (2024)

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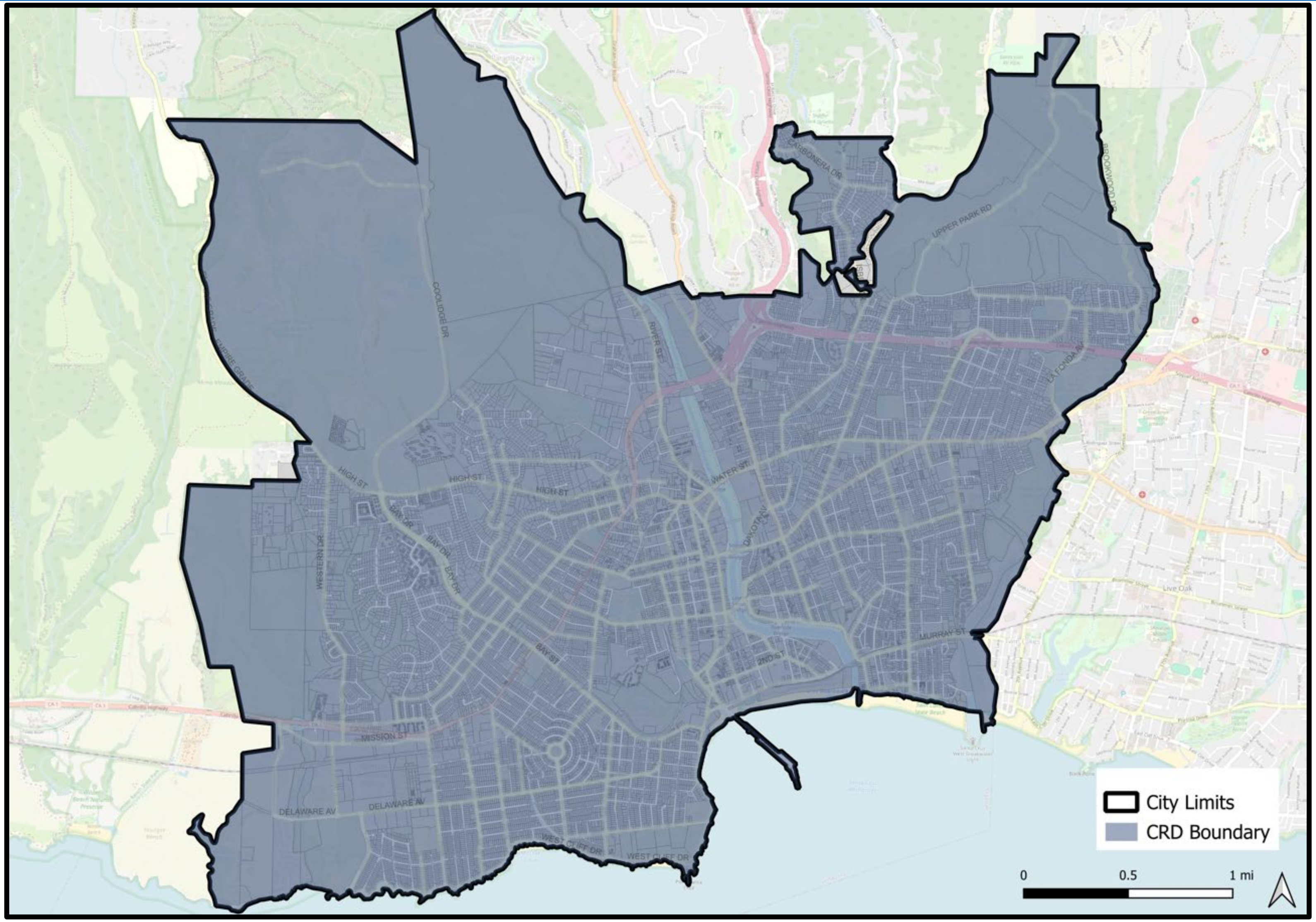
Potential CRD Boundary
Citywide District



- Approx. 10,131 acres
- Approx. $12.8B in existing assessed value

Source: City of Santa Cruz; Santa Cruz County Auditor-Controller (2024)

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Example Potential Community Investments to Receive Funding

a) Affordable housing
b) Housing-supportive infrastructure Downtown (e.g., utility capacity enhancement)
c) Housing-supportive infrastructure along other key corridors within the City (e.g., Soquel, Mission, Ocean)
d) Library improvements
e) Recreational and entertainment infrastructure and facilities
f) Infrastructure to support recreational and entertainment facilities Downtown
g) Riverwalk improvements
h) Roadway / sidewalk / streetscape improvements (e.g., street realignment)
i) Other public amenities (e.g., parks, public plazas, pedestrian infrastructure)
j) Climate resilience investments Citywide (e.g., sea-level rise, flood control)

Future Development Assumptions

Absorption Assumed over ~10 Years

Area	# SF or Units	Estimated AV Factor	Estimated Total AV at Buildout
Residential (Rental)	2,382 units	$500K per unit	$1.191 billion
Residential (For Sale)	79 units	$900K per unit	$71 million
Residential (Affordable)	675 units	Tax-exempt	$0
Hotel	420 rooms	$500K per room	$210 million
Commercial / Retail / Office	75,115 SF	$375 PSF	$28 million
Industrial / Flex	126,445 SF	$200 PSF	$25 million
Total New Development Assumed within EIFD Study Area			**$1.526 billion**

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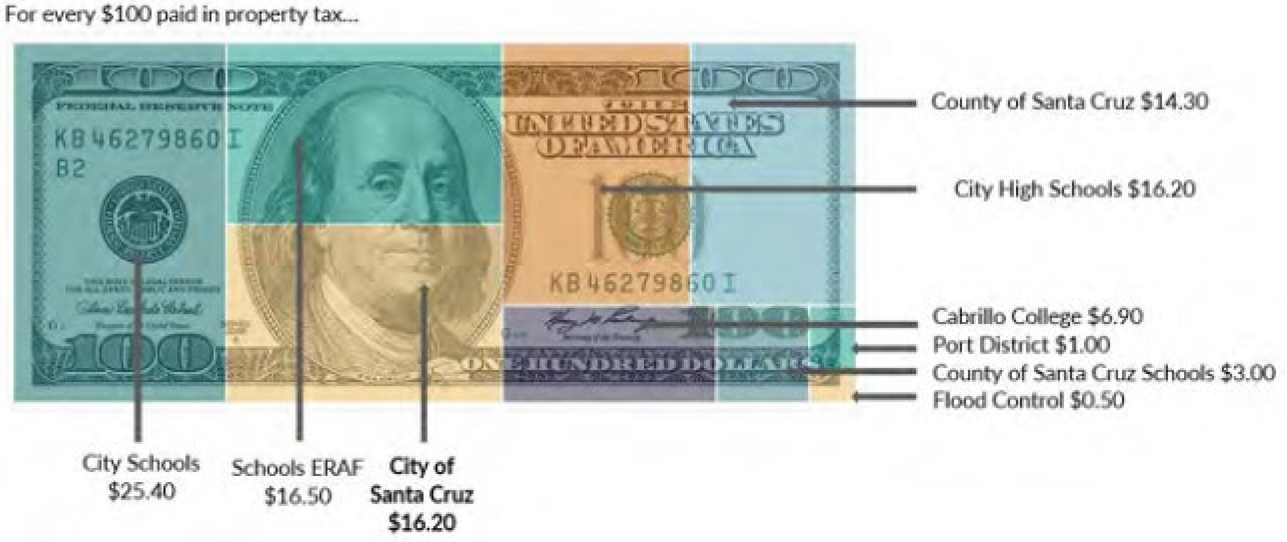
Note: AV at buildout values in current 2024 dollars
Sources: Discussion with City staff; CoStar (2023-2024)

Property Tax Revenues Available to EIFD

- Primary non-school recipients and potential contributors of property tax are **City of Santa Cruz** and **County of Santa Cruz**
- City share varies by area and averages ~**16% each** of every $1 collected in property taxes within the EIFD Study Area
  - City additionally receives equivalent of ~**6%** of property tax in lieu of MVLF, also available to EIFD
- County General Fund share varies by area and averages ~**14%**
  - 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 <u>cannot</u> participate

<u>Sample Property Tax Distribution</u>



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: Santa Cruz County Auditor Controller (2024); City of Santa Cruz FY24 Budget

EIFD Revenue and Bonding Capacity Scenarios

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%	$6,340,000	$16,327,000	$44,590,000	$108,101,000
B) City 50%	$13,324,000	$33,300,000	$89,179,000	$216,203,000
C) City 75%	$20,309,000	$50,272,000	$133,769,000	$324,304,000
D) City 25% + County 25%	$10,928,000	$27,483,000	$74,109,000	$179,778,000
E) City 50% + County 50%	$22,502,000	$55,612,000	$148,219,000	$359,557,000
F) City 75% + County 50%	$27,067,000	$66,707,000	$177,451,000	$430,469,000

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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. 6.5% 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
Downtown Plan Expansion Plan Area Only

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%	$3,048,000	$8,551,000	$22,149,000	$52,672,000
B) City 50%	$6,741,000	$17,747,000	$44,299,000	$105,344,000
C) City 75%	$10,435,000	$26,943,000	$66,448,000	$158,016,000
D) City 25% + County 25%	$5,454,000	$14,541,000	$36,577,000	$86,981,000
E) City 50% + County 50%	$11,553,000	$29,727,000	$73,153,000	$173,962,000
F) City 75% + County 50%	$15,246,000	$38,923,000	$95,303,000	$226,634,000

City allocation includes allocation from both AB8 + MVLF in-lieu. County allocation does not include MVLF in-lieu.
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Example City and County Allocations by Scenario

25% Allocation Scenario	50-Year Present Value @ 3% Discount Rate	50 Year Nominal Total
City 25%	$45M	$109M
County 25%	$29M	$71M
Total City + County	$74M	$180M

50% Allocation Scenario	50-Year Present Value @ 3% Discount Rate	50 Year Nominal Total
City 50%	$90M	$218M
County 50%	$58M	$142M
Total City + County	$148M	$360M

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CRD Special Tax Scenarios

As % of Assessed Value (Estimate)	Annual CRD Special Tax Per Acre (Estimate)	Annual CRD Special Tax Revenue	Estimated CRD Net Bond Proceeds
0.05%	$632 per AC	$6,402,153	$76,395,429
0.10%	$1,264 per AC	$12,804,305	$153,471,935
0.15%	$1,896 per AC	$19,206,458	$230,548,441
0.20%	$2,528 per AC	$25,608,610	$307,624,947

Bondable revenue assumes $25,000 admin charge, 110% debt service coverage. 5.5% interest rate; 30-year term; level debt service; 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.

Summary of Financing Tools Evaluated

Tool	Estimated Funding Capacity	Estimated Timing of Funding	Process for Implementation
EIFD	$45M to $134M (City only) $74M to $221M (City + County) *(50-Year present-value)*	After Private Development Completion and Property Assessment	City Council approval, potential County Board of Supervisors approval, public hearings, subject to majority protest by landowners and voters within district
CRD	$76M to $308M *(Net Bond Proceeds)*	Pre- and/or post-construction	Landowner approval, City Council approval, public hearings

- City could pursue EIFD + CRD **in parallel**

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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 <u>accelerated</u> 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, IIJ 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:

- Placentia + Orange County
- La Verne + Los Angeles County
- Palmdale + Los Angeles County
- Carson + Los Angeles County
- Stockton + Lathrop + Manteca + San Joaquin County
- Gonzales + Monterey County

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City of Santa Cruz “Return on Investment”

- Implementation of essential infrastructure improvements of communitywide and regional benefit
- Social impacts: Quality of life improvement, environmental sustainability
- Housing: **3,100+ units**, including **600+ affordable units**
- Job creation from both ongoing operations and temporary construction activities
- Acceleration of development and related fiscal revenues

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Illustrative EIFD and/or CRD Formation Schedule

Target Date	Task
Q3-Q4 2024	a) Discussion among City staff and Council, County staff and Board of Supervisors, other stakeholders b) Determination of boundaries, projects, governing Public Financing Authority (PFA) Board makeup
Q1 2025	c) City Council considers Resolution of Intention (ROI) to form EIFD and establish PFA Board
Q2 2025	d) PFA directs the preparation of draft Infrastructure Financing Plan (IFP)
Q3 2025	e) Distribute draft IFP to property owners, affected taxing entities, City Council, planning commission
Q3 2025	f) PFA holds an initial public meeting to present the draft IFP to the public and property owners
Q4 2025	g) City Council considers resolution approving IFP and tax increment revenue allocation
Q4 2025	h) PFA holds first public hearing to hear additional comments and take action to modify or reject IFP
Q4 2025	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

- 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)

Next Steps

- Address questions, receive and incorporate feedback from City staff
- Refine analysis assumptions based on feedback
- Present findings to City Council
- If there is City Council support, conduct stakeholder outreach and approach County to discuss potential financing district partnership for EIFD and/or CRD
- Based on City/County feedback, City and County staff to pursue district formation as soon as feasible (first action would be City/County adoption of a Resolution of Intention)

THANK YOU

Questions?

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Disclaimer

The high-level analyses, projections, assumptions, rates of return, and any examples presented herein are for illustrative purposes and are not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ from those expressed in this analysis.

Discussions or descriptions of potential financial tools that may be available to the Client and public agencies are included for informational purposes only and are not intended to be to be "advice" within the context of this Analysis.

Municipal Advisory activities are conducted through Kosmont Companies' affiliate, Kosmont Financial Services, which is Registered as a Municipal Advisor with the SEC and MSRB.

Additional Documentation

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- More detailed backup information is available in Kosmont's technical task deliverables:

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  e) Matrix – Overview of Financing District Alternatives and Related Legislation

A) Memorandum with Matrix Exhibit – Identification of Needed Investments in the Proposed Study Area

Memorandum

To:	**City of Santa Cruz** Bonnie Lipscomb, Brian Borguno
From:	**Kosmont Companies** Ken K. Hira, Joseph Dieguez, Lohita Turlapati
Date:	November 15, 2023
Subject:	**City of Santa Cruz Financing District Analysis – Potential Infrastructure Investments in the Study Area**

I. BACKGROUND AND PURPOSE

Pursuant to Task 1 (Identification of Needed Investments in the Proposed Study Area) of the Scope of Services to be provided by Kosmont Companies ("Kosmont") to the City of Santa Cruz ("City") for Financing District Feasibility Analysis, this Memorandum summarizes potential infrastructure needs and other community investments ("Infrastructure Investments") for funding with proceeds from a Financing District in the Study Area within the City.

II. PRELIMINARY OUTLINE OF INFRASTRUCTURE INVESTMENTS

The following preliminary list of potential Infrastructure Investments has been compiled by Kosmont based on discussions with City staff, as well as prior and ongoing stakeholder engagement related to the Downtown Expansion Plan:

1. Housing-supportive infrastructure Downtown (e.g., utility capacity enhancement)
2. Housing-supportive infrastructure along other key corridors within the City (e.g., Soquel, Mission, Ocean)
3. Infrastructure to support recreational and entertainment facilities Downtown
4. Riverwalk improvements
5. Roadway / sidewalk / streetscape improvements (e.g., street realignment)
6. Other public amenities (e.g., parks, public plazas, pedestrian infrastructure)
7. Affordable housing
8. Climate resilience investments Citywide (e.g., sea-level rise, flood control).

If the City were to ultimately implement a financing district such as an Enhanced Infrastructure Financing District ("EIFD"), it is expected that the ultimate list of Infrastructure Investments to be funded would be identified in the governing documentation (e.g., EIFD Infrastructure Financing Plan, or "IFP"). This IFP list of Infrastructure Investments would typically continue to be revised throughout the evaluation and district formation process. It is additionally important to recognize that the governing documentation, including targeted Infrastructure Investments to be funded, may be revised over time, even after district formation.

Financing district funding is not envisioned at the only funding source for any project identified above, but rather one component of a larger funding and financing strategy, which could include such sources as state and federal grants, impact fees, sale or lease revenues from publicly-owned properties, and/or other municipal financing tools.

III. PRELIMINARY SCREENING OF POTENTIAL INFRASTRUCTURE INVESTMENTS

It is generally Kosmont's advice to keep the list of potential Infrastructure Investments to be funded by a financing district as broad and inclusive as possible, until such time that revenues become available and Infrastructure Investments are ready to be funded. This allows decisions regarding specific allocations to be made with the latest and most updated information available. Nonetheless, Kosmont is suggesting variable metrics against which potential Infrastructure Investments could be measures, so that such they could be compared and prioritized for funding. The metrics utilized include:

a) **Potential community and economic benefits** (e.g., jobs, fiscal revenues, housing, public amenities)
b) **Potential catalytic impacts** (i.e., potential to unlock private sector investment)
c) **Feasibility for implementation** (i.e., timing, realistic potential to implement)

The **attached matrix** provides a more detailed summary of potential Infrastructure Investments based on the metrics above.

IV. NEXT STEPS

This Memorandum is intended to preliminarily outline potential Infrastructure Investments as a foundation for continued evaluation throughout the district evaluation process. Analysis related to boundary alternatives, revenue allocation scenarios, general fund fiscal impact, costs, and other factors, as well as ongoing stakeholder outreach will be critical inputs into the ultimate list of Infrastructure Investments that is memorialized in the financing district governing documentation (e.g., EIFD IFP).

City of Santa Cruz Financing District – Preliminary Summary of Potential Infrastructure Investments
November 15, 2023

Potential Investment	Description	Potential Community / Economic Benefit	Potential Catalytic Impact	Feasibility
1) Housing-Supportive Infrastructure Downtown	• Examples include water, sewer, and other utility capacity enhancements to catalyze and support housing development Downtown	• **HIGH** • Supports housing production consistent with General Plan and Housing Element • More rooftops drive retail spending and fiscal revenue generation (e.g., property tax, sales tax) • Other direct / indirect / induced economic benefits • Reducing infrastructure cost burden improves potential housing affordability	• **HIGH** • Proactive infrastructure investment supports financial feasibility for housing and other new development	• **HIGH / SHORT-TERM** • City planning documentation supports higher density housing Downtown • Private sector is demonstrating interest in investment Downtown • Housing and transit supports competitive for complementary grants (financing district further improves competitiveness)
2) Housing-Supportive Infrastructure Along Mixed-Use Corridors	• Examples include Midtown / Soquel Avenue, Mission Street, Ocean Street corridors • Examples include water, sewer, and other utility capacity enhancements to catalyze and support housing development	• **MEDIUM** • Supports housing production consistent with General Plan and Housing Element • More rooftops drive retail spending and fiscal revenue generation (e.g., property tax, sales tax) • Other direct / indirect / induced economic benefits Reducing infrastructure cost burden improves potential housing affordability	• **HIGH** • Proactive infrastructure investment supports financial feasibility for housing and other new development	• **MEDIUM** • City planning documentation supports higher density housing along mixed-use corridors

City of Santa Cruz Financing District – Preliminary Summary of Potential Infrastructure Investments
November 15, 2023

Potential Investment	Description	Potential Community / Economic Benefit	Potential Catalytic Impact	Feasibility
3) Infrastructure to Support Recreational and Entertainment Facilities Downtown	• Santa Cruz Warriors Arena and adjacent mixed-use development involves a high infrastructure cost burden	• **HIGH** • Very high potential to drive direct and indirect economic activity in the Downtown area and elsewhere within the City	• **HIGH** • Infrastructure funding has the potential to be critical determinant of whether new facilities are completed • Potential to serve as catalyze for other development Downtown	• **HIGH /SHORT-TERM** • City and private sector currently in detailed discussions regarding infrastructure needs and community benefits • Private sector is extremely focused on this potential investment
4) Riverwalk Improvements	• Improvements along San Lorenzo River can facilitate a community recreational amenity available through much of the City	• **MEDIUM** • Key potential community recreational amenity • Less direct "return on cost" to general fund or related to job creation	• **MEDIUM** • Potential to spur riverfront development	• **MEDIUM** • Likely competitive for open space and urban greening grants
5) Roadway / Sidewalk / Streetscape Improvements	• Examples include street realignments, beautification Downtown and along mixed-use corridors	• **MEDIUM** • Facilities new development, supporting general fund fiscal revenues and job creation	• **MEDIUM** • Proactive infrastructure investment supports financial feasibility for housing and other new development	• **MEDIUM** • General Plan and Downtown Expansion Plan lay the infrastructure foundation
6) Other Public Amenities	• Examples include parks, public plazas, pedestrian infrastructure, other public realm improvements	• **MEDIUM** • Community amenities available to the public • Less direct "return on cost" to general fund or related to job creation	• **MEDIUM** • Community amenities drive pedestrian traffic, which supports demand for new development	• **MEDIUM** • General Plan and Downtown Expansion Plan lay the infrastructure foundation

City of Santa Cruz Financing District – Preliminary Summary of Potential Infrastructure Investments
November 15, 2023

Potential Investment	Description	Potential Community / Economic Benefit	Potential Catalytic Impact	Feasibility
7) Affordable Housing	• Affordable housing is an eligible expenditure for financing districts such as Enhanced Infrastructure Financing Districts (EIFD) and Community Revitalization and Investment Authorities (CRIA) (below 120% Area Median Income)	• **HIGH** • Key goal of the Housing Element towards Regional Housing Needs Assessment (RHNA) targets • Lower impact on general fund fiscal revenues (e.g., typically property tax exempt), but can support financial feasibility for mixed-income residential and mixed-use development	• **MEDIUM** • May support financial feasibility for mixed-income residential and mixed-use development	• **HIGH** • Very high demand for affordable housing • Such infrastructure projects are typically very competitive for grants (financing district further improve competitiveness)
8) Climate Resilience Investment	• Examples include improvements to proactively address sea-level rise, flood control, and other climate change events	• **HIGH** • Lower impact on general fund fiscal revenues, but significant benefit over the longer term, particularly in coastal areas threatened by sea-level rise and areas threatened by flooding	• **MEDIUM** • In some areas, may "unlock" development that would otherwise be deemed too risky, unable to attain insurance	• **LOW / LONGER-TERM** • Climate resilience investments tend to be longer-term in nature • Complementary grant fund is becoming increasingly available (financing district further improve competitiveness)

B) Memorandum with Map and Matrix Exhibits – Identification of Potential Boundaries and Initial Screening Criteria

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Memorandum

To: **City of Santa Cruz**
Bonnie Lipscomb, Brian Borguno

From: **Kosmont Companies**
Ken K. Hira, Joseph Dieguez, Lohita Turlapati

Date: January 22, 2024

Subject: **Financing District Potential Boundary Scenarios**

I. BACKGROUND AND PURPOSE

Pursuant to Task 2 (Identification of Potential Boundaries and Initial Screening) of the Scope of Services under the Professional Services Agreement between the City of Santa Cruz ("City") and Kosmont Companies ("Kosmont") for Financing District Feasibility Analysis, this Memorandum summarizes the identification of potential Boundary Alternatives within the City for inclusion in a Financing District.

II. BOUNDARY SCENARIO DEFINITION AND RATIONALE

Two (2) potential Boundary Alternatives have been identified by Kosmont in collaboration with City staff:

1. Potential Enhanced Infrastructure Financing District ("EIFD") Boundary: Downtown, Mixed-Use Corridors, and Opportunity Sites
2. Potential Climate Resilience District ("CRD"): Citywide Boundary

The Boundary Areas were carefully outlined over multiple discussions and screen-sharing exercises with City staff to include parcels well-positioned for future investment, development, and/or rehabilitation.

Table 1 summarizes acreage and assessed value metrics for each Boundary Alternative, and the attached exhibits provide maps of the Boundary Areas.

Table 1: Summary Metrics for Potential Boundary Areas

Boundary Areas	Land Size (AC)	Estimated Percent of City by Acreage	Estimated Net Assessed Property Value	Estimated Percent of City by A/V
1) EIFD: Downtown, Mixed-Use Corridors, other Opportunity Sites	345	3.4%	$1.525B	11.9%
2) CRD: Citywide	10,131	100.0%	$12.804B	100.0%

As detailed in the attached Boundary Screening Matrix, these Boundary Areas reflect preliminary financing district feasibility based on several key metrics, including the following:

a) Current zoning and potential for new density
b) Economic development potential
c) Capacity to benefit from catalytic infrastructure investment
d) General Fund fiscal benefit (balance of tax increment funding capacity and positive net fiscal impact to the General Fund)
e) Overlap with Federal Opportunity Zone (OZ) census tracts

III. INITIAL FINDINGS AND NEXT STEPS

Based on initial screening and other key quantitative and qualitative factors, Kosmont is suggesting that preliminary Boundary Alternatives #1 and #2 both continue to be evaluated in Task 3 (revenue and bonding capacity analysis):

1. EIFD: Downtown, Mixed-Use Corridors, other Opportunity Sites
2. CRD: Citywide

For Boundary Alternative #1, Kosmont suggests that an EIFD is the primary type of Tax Increment Financing (TIF) to continue evaluating, given its flexibility in boundary definition (e.g., does not need to be contiguous, does not need to qualify by income/crime/unemployment), flexibility in use of funds (e.g., can fund infrastructure, affordable housing, and climate resilience), and a governing board structure that facilitate multi-agency partnership.

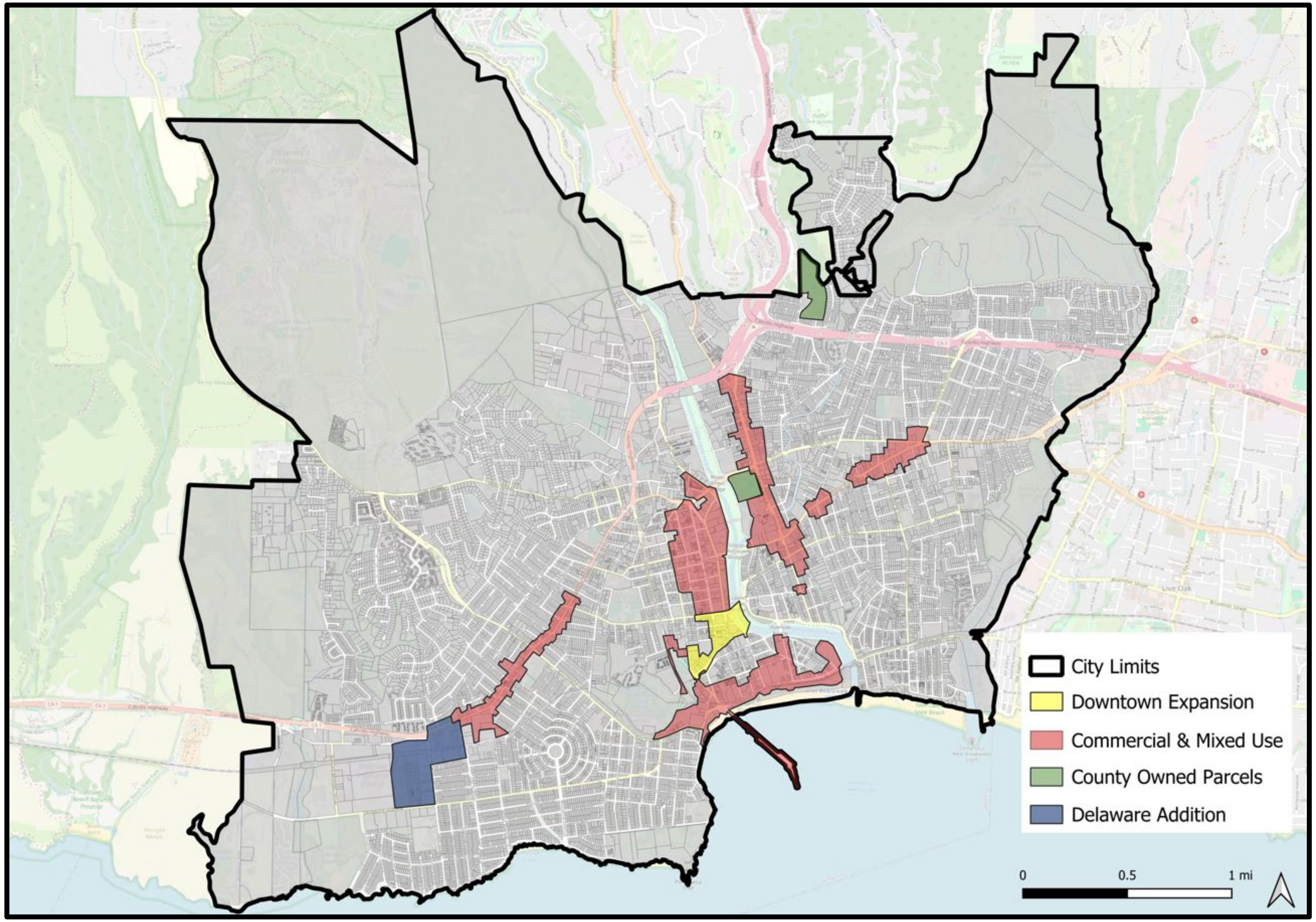
Boundary Alternative #2 (Citywide Boundary) has greater feasibility for a potential CRD that could leverage the special taxing authority of a CRD (subject to voter approval) for targeted funding of climate resilience investments, such as sea-level rise adaptation measures in the West Cliff area and flood control infrastructure along the San Lorenzo River.

In parallel to potential EIFD and CRD implementation as noted above, complementary Community Facilities District (CFD) implementation may be feasible on a case-by-case basis for specific development projects with consolidated private sector ownership, as a means to provide nearerterm public financing for major development projects, particularly while tax increment funding capacity builds.

Based on City feedback on these Boundary Alternatives, Kosmont will begin Tax Increment Revenue and Bonding Capacity Analysis pursuant to Scope of Services Task 3. It is Kosmont's experience that after additional evaluation in subsequent tasks, it may make sense to further refine preferred boundary scenarios. Ultimately, boundaries can be continuously refined throughout the financing district formation meeting and hearing process.

Potential Enhanced Infrastructure Financing District (EIFD) Boundary

Downtown + Mixed-Use Corridors + County-owned Opportunity Sites (~345 Acres)



All four subareas proposed for inclusion

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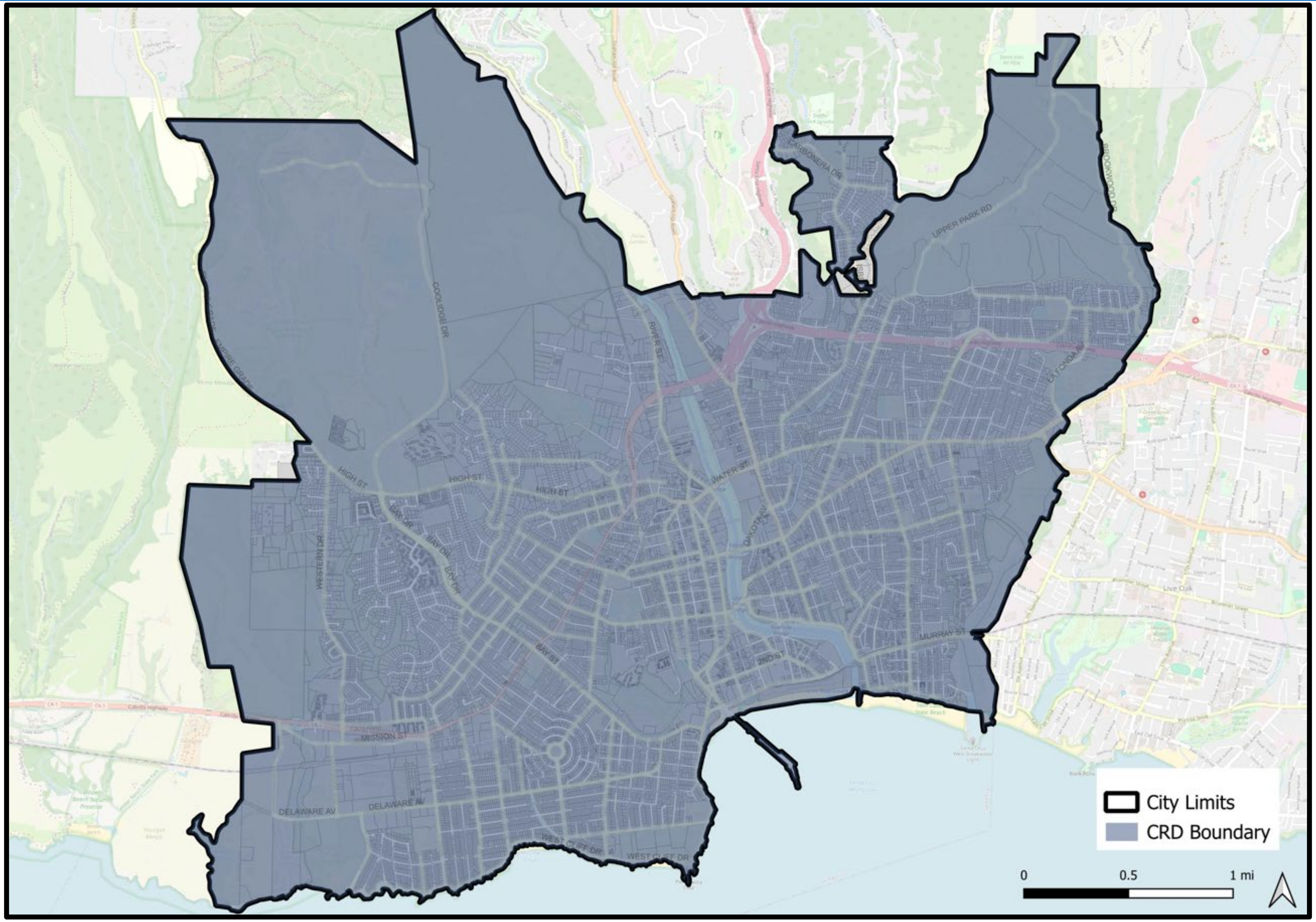
Potential Climate Resilience District (CRD) Boundary

Citywide District (~10,131 Acres)



kosmont companies

kosmont companies

City of Santa Cruz
Financing District Boundary Initial Screening Matrix
January 22, 2024

EIFD Feasibility Screening Variable	Boundary Alternative #1: Enhanced Infrastructure Financing District (EIFD) Downtown, Mixed-Use Corridors, and Other Opportunity Sites	Boundary Alternative #2: Climate Resilience District (CRD) Citywide
1) Zoning and Density	• Includes the Regional Visitor Commercial (RVC), Mixed-Use High Density, Mixed-Use Medium Density, and Mixed-Use Visitor Commercial General Plan land use designations, which enable the type of higher-intensity development that is consistent with private sector investor interest and beneficial for generating large increases in assessed property values (creating funding capacity for a financing district), and supportive for diversifying the City's tax base.	• Includes all General Plan land use designations, including low-density residential and other zones which typically do not exhibit the larger (e.g., greater than $50M) assessed value increases that are typically conducive for financing district implementation.
2) Economic Development Potential	• Significant near-, mid-, and long-term economic development potential, as this Boundary Alternative encompasses several key opportunity sites with high potential for assessed value increases from new development and rehabilitation of underutilized property • Outside of Downtown, other mixed-use corridors and opportunity sites have potential for mid- to long-term private sector investment	• Includes sites with significant economic development potential, as well as sites where assessed value growth may be slow and incremental over time (typically relied upon by General Fund budget projections)
3) Project Location and Infrastructure Needs	• Downtown has high potential for properties in this Boundary Alternative to benefit from catalytic infrastructure, such as housing-supportive and regional recreation infrastructure and other improvements that are critical and supportive of new private development • Other mixed-use corridors and opportunity sites will likely attract market demand and private sector investment interest later than Downtown, but still likely within 10-20 years	• Includes areas that can be "unlocked" by infrastructure investment, such as Downtown, but also other areas that may not experience catalytic impacts from infrastructure, such as some single family neighborhoods • Some improvements, such as San Lorenzo River enhancements, may however have Citywide benefit

City of Santa Cruz
Financing District Boundary Initial Screening Matrix
January 22, 2024

EIFD Feasibility Screening Variable	Boundary Alternative #1: Enhanced Infrastructure Financing District (EIFD) Downtown, Mixed-Use Corridors, and Other Opportunity Sites	Boundary Alternative #2: Climate Resilience District (CRD) Citywide
4) Attractive to Other Funding Sources	• Significant assessed value growth potential, which presents opportunity for City to implement a Tax Increment Financing (TIF) District alone, or with another entity, such as the County • Focused district is more appealing to taxing entity partners, such as the County • High potential for complementary grant funding based on housing and transit focus • Potential for complementary private sector funding based on overlap with Federal Opportunity Zone census tracts	• Large districts create significant funding capacity • Large districts are typically less appealing to taxing entity partners, such as the County • In the circumstance where a CRD will leverage its special taxing authority under Proposition 218, this would involve a Citywide vote
5) Federal Opportunity Zone (OZ) Census Tract Overlap	• High Overlap	• Some overlap
6) Former Redevelopment Agency (RDA) Overlap	• High Overlap • Due to overlap with former RDA boundaries, property tax from overlapping areas will be subordinate to outstanding Recognized Obligation Payment Schedule (ROPS) (residual revenues are available to EIFD on an annual basis) • Redevelopment Property Tax Trust Fund (RPTTF) residual revenues still available to EIFD after payment of each period ROPS • Finding of Completion from State Department of Finance achieved (Kosmont will confirm with Finance) • Complied with State Controller findings from Due Diligence Reviews (Kosmont will confirm with Finance)	• Some Overlap • Due to overlap with former RDA boundaries, property tax from overlapping areas will be subordinate to outstanding Recognized Obligation Payment Schedule (ROPS) (residual revenues are available to EIFD on an annual basis) • Redevelopment Property Tax Trust Fund (RPTTF) residual revenues still available to EIFD after payment of each period ROPS • Finding of Completion from State Department of Finance achieved (Kosmont will confirm with Finance) • Complied with State Controller findings from Due Diligence Reviews (Kosmont will confirm with Finance)

City of Santa Cruz
Financing District Boundary Initial Screening Matrix
January 22, 2024

EIFD Feasibility Screening Variable	Boundary Alternative #1: Enhanced Infrastructure Financing District (EIFD) Downtown, Mixed-Use Corridors, and Other Opportunity Sites	Boundary Alternative #2: Climate Resilience District (CRD) Citywide
	• No assets related to EIFD boundary under litigation with State (Kosmont will confirm with City Attorney's Office)	• No assets related to EIFD boundary under litigation with State (Kosmont will confirm with City Attorney's Office) • For use of CRD special tax authority under Prop 218, outstanding successor agency obligations have no impact
7) Overlap with other Financing Districts	• Existing Business Improvement Districts (BID) and Parking Districts may present difficulties for a new Community Facilities District (CFD), Assessment District, or similar vehicles • A TIF district, such as an Enhanced Infrastructure Financing District (EIFD), Community Revitalization and Investment Authority (CRIA), or Climate Resilience District (CRD) would likely still function well, since these districts do NOT add a new tax or assessment for the private sector	• Existing Business Improvement Districts (BID) and Parking Districts may present difficulties for a new CRD special tax • A TIF district, such as an Enhanced Infrastructure Financing District (EIFD) would likely still function well, since these districts do NOT add a new tax or assessment for the private sector
8) Land Ownership	• Many landowners and residents for consideration of noticing and public hearing requirements (e.g., majority protest hearing)	• Many landowners and residents for consideration of noticing and public hearing requirements (e.g., majority protest hearing for tax increment financing, 2/3 vote for CRD or CFD special tax)

City of Santa Cruz
Financing District Boundary Initial Screening Matrix
January 22, 2024

EIFD Feasibility Screening Variable	Boundary Alternative #1: Enhanced Infrastructure Financing District (EIFD) Downtown, Mixed-Use Corridors, and Other Opportunity Sites	Boundary Alternative #2: Climate Resilience District (CRD) Citywide
9) Benefitting Taxing Entities	• **Medium level of feasibility for taxing entity partnership**, given major potential regional tourist and visitor draw, sites for future development, and potential future development that can substantially increase future property tax revenues to all affected taxing entities • Focused boundary in terms of size and to a lesser extent, existing assessed value, creates positive potential fiscal return on investment for taxing entity partners along with high ratio of new potential value creation compared to existing assessed value	• **Lowest level of feasibility for taxing entity partnership**, given that this is the largest Boundary Alternative, which may cause hesitation for potential taxing entity partners • Difficult to show high potential fiscal return on investment due to low ratio of new potential value creation compared to existing assessed value
10) City General Fund Exposure	• Medium level of potential fiscal risk exposure to General Fund, given geographic focus and smaller size	• High level of potential fiscal risk exposure to General Fund for tax increment financing (i.e., via property tax revenues being diverted away from General Fund) • CRD or CFD special tax would not impact the general fund, as no property taxes within the existing rates would be diverted

C) Analysis Detail – Development Assumptions, Financing District Tax Increment and Special Tax Revenue Analysis

Santa Cruz Financing District - Development Assumption Detail

Project	Market Rate Rental Housing	Market Rate For-sale Housing	Affordable Housing	Retail / Commercial	Hotel	Office	Industrial	Timing	Zone	Status
1811 & 1815 Mission St	23 DU		4 DU	707 SF				2-5 yrs	C-C	
Pacific Station North			128 DU	5,000 SF				2-5 yrs	CBD/CZ-O/FP-O	Under Construction
130 Center St	202 DU		31 DU	2,356 SF				2-5 yrs	RTC/CZ-O/FP-O (	Under Construction
119 Lincoln St			124 DU	9,000 SF				2-5 yrs		Approved
1024 Soquel	11 DU		1 DU							
908 Ocean St	309 DU		81 DU	9,000 SF				2-5 yrs		Under Review
415 Natural Bridges			20 DU					1-2 yrs		Under Review
2035 Pacifica Ave	21 DU		5 DU					2-5 yrs		Under Review
1130 Mission St	51 DU		8 DU	2,627 SF				4-6 yrs	MU-M and Mission S	In Design
530 Front St	239 DU		37 DU	6,865 SF				3-5 yrs		In Design
Riverfront/ Front St.	155 DU		20 DU	11,498 SF				1-2 yrs	CBD/CZ-O/FP-O	Under Construction
1013 Pacific Ave.	15 DU		2 DU	4,342 SF				2-5 yrs		Under Construction
190 West Cliff		79 DU	10 DU	14,000 SF				2-5yrs		Approved
Downtown / South of Laurel Placeholder	1,000 DU		200 DU					2-5yrs		
Coastview Hotel					5 rooms			0-1 yrs		Under Construction
La Bahia Hotel					165 rooms			0-1 yrs		Under Construction
135 Dubois Street							107,845 SF	2-5yrs		Approved
150 Felker Street	31 DU		4 DU					2-5yrs		Approved
300 Ingalls Alley	161 DU			7,475 SF				2-5yrs		Applied
442 May Ave	16 DU							2-5yrs		Applied
433 Ocean					50 rooms			4-6 yrs		Preapplication
Santa Cruz Hotel					200 rooms			4-6 yrs		
Pioneer Street							18,600 SF	3-5 yrs		Applied
513/515/519 Soquel Ave	43 DU			1,166 SF				2-5yrs		Under Review
915/917/919/923 Water	105 DU			1,079 SF						Approved
Estimated Total	**2,382 DU**	**79 DU**	**675 DU**	**75,115 SF**	**420 rooms**	**0 SF**	**126,445 SF**			

Santa Cruz Financing District - Development Assumption Detail

Land Use Category	# Units or SF	Estimated Valuation Factors	Estimated Valuation
Market Rate Rental Housing	2,382 DU	$500,000 per unit	$1,191,000,000
Market Rate For-sale Housing	79 DU	$900,000 per unit	$71,100,000
Affordable Housing	675 DU	$0 per unit	$0
Retail / Commercial	75,115 SF	$375 PSF	$28,168,125
Hotel	420 rooms	$500,000 per room	$210,000,000
Office	0 SF	$350 PSF	$0
Industrial	126,445 SF	$200 PSF	$25,289,000
			$1,525,557,125

Tax Increment Revenue Analysis - Santa Cruz EIFD

EIFD Tax Increment Analysis

		Total	0 2024-2025	1 2026	2 2027	3 2028	4 2029	5 2030	6 2031	7 2032
New Development										
Rental Residential		2,382 units		238 units	238 units	238 units	238 units	238 units	238 units	238 units
$500,000 per unit		$1,356,797,887		$123,911,640	$126,389,873	$128,917,670	$131,496,024	$134,125,944	$136,808,463	$139,544,632
For Sale Residential		79 units		8 units	8 units	8 units	8 units	8 units	8 units	8 units
$900,000 per unit		$80,997,758		$7,397,244	$7,545,189	$7,696,093	$7,850,015	$8,007,015	$8,167,155	$8,330,498
Affordable Residential		675 units		68 units	68 units	68 units	68 units	68 units	68 units	68 units
$0 per unit		$0		$0	$0	$0	$0	$0	$0	$0
Commercial / Retail		75,115 SF		7,512 SF	7,512 SF	7,512 SF	7,512 SF	7,512 SF	7,512 SF	7,512 SF
$375 PSF		$32,089,381		$2,930,612	$2,989,224	$3,049,008	$3,109,989	$3,172,188	$3,235,632	$3,300,345
Hotel		420 rooms		170 rooms			200 rooms	50 rooms		
$500,000 per room		$226,996,141		$88,434,000	$0	$0	$110,408,080	$28,154,060	$0	$0
Industrial / Flex		126,445 SF		12,645 SF	12,645 SF	12,645 SF	12,645 SF	12,645 SF	12,645 SF	12,645 SF
$200 PSF		$28,809,456		$2,631,068	$2,683,689	$2,737,363	$2,792,110	$2,847,952	$2,904,911	$2,963,009
Subtotal Value Add		$1,725,690,622		$225,304,563	$139,607,975	$142,400,134	$255,656,217	$176,307,160	$151,116,161	$154,138,485
Total Assessed Value			$1,958,542,088	$2,223,017,493	$2,407,085,818	$2,597,627,668	$2,905,236,439	$3,139,648,327	$3,353,557,455	$3,574,767,089
Incremental AV				$264,475,405	$448,543,729	$639,085,580	$946,694,350	$1,181,106,239	$1,395,015,367	$1,616,225,001
Total tax increment @ 1%				$2,644,754	$4,485,437	$6,390,856	$9,466,944	$11,811,062	$13,950,154	$16,162,250
City Average Share Available	16.20%	$321,337,950		$428,450	$726,641	$1,035,319	$1,533,645	$1,913,392	$2,259,925	$2,618,285
Percent Allocated to EIFD	50.0%	$160,668,975		$214,225	$363,320	$517,659	$766,822	$956,696	$1,129,962	$1,309,142
City Equivalent MVLF Share	5.75%	$114,125,228		$152,167	$258,071	$367,700	$544,684	$679,553	$802,627	$929,900
Percent Allocated to EIFD	50.0%	$57,062,614		$76,083	$129,036	$183,850	$272,342	$339,777	$401,313	$464,950
County Average Share Available	14.30%	$283,650,166		$378,200	$641,418	$913,892	$1,353,773	$1,688,982	$1,994,872	$2,311,202
Percent Allocated to EIFD	50.0%	$141,825,083		$189,100	$320,709	$456,946	$676,886	$844,491	$997,436	$1,155,601
Total Allocation to EIFD		$359,556,672		$479,408	$813,065	$1,158,456	$1,716,051	$2,140,964	$2,528,712	$2,929,693

<u>Illustrative Bonding Capacity Analysis</u>

Net Revenue*	$1,402,309
Bond Amount**	$18,312,301
Net Proceeds* **	**$16,193,746**

* Bondable revenue assuming $25,000 admin charge; 150% debt service coverage
** 6.5% interest rate; 30 year term
*** Proceeds net of 2% underwriter's discount, estimated reserve fund (minimum annual debt service), incidental costs estimted at $350,000

Tax Increment Revenue Analysis - Santa Cruz EIFD

EIFD Tax Increment Analysis

		Total	2033 (8)	2034 (9)	2035 (10)	2036 (11)	2037 (12)	2038 (13)	2039 (14)	2040 (15)
New Development										
Rental Residential		2,382 units	238 units	238 units	238 units					
$500,000 per unit		$1,356,797,887	$142,335,525	$145,182,235	$148,085,880	$0	$0	$0	$0	$0
For Sale Residential		79 units	8 units	8 units	8 units					
$900,000 per unit		$80,997,758	$8,497,108	$8,667,050	$8,840,391	$0	$0	$0	$0	$0
Affordable Residential		675 units	68 units	68 units	68 units					
$0 per unit		$0	$0	$0	$0	$0	$0	$0	$0	$0
Commercial / Retail		75,115 SF	7,512 SF	7,512 SF	7,512 SF					
$375 PSF		$32,089,381	$3,366,352	$3,433,679	$3,502,352	$0	$0	$0	$0	$0
Hotel		420 rooms								
$500,000 per room		$226,996,141	$0	$0	$0	$0	$0	$0	$0	$0
Industrial / Flex		126,445 SF	12,645 SF	12,645 SF	12,645 SF					
$200 PSF		$28,809,456	$3,022,270	$3,082,715	$3,144,369	$0	$0	$0	$0	$0
Subtotal Value Add		$1,725,690,622	$157,221,254	$160,365,679	$163,572,993	$0	$0	$0	$0	$0
Total Assessed Value			$3,803,483,685	$4,039,919,038	$4,284,290,412	$4,369,976,220	$4,457,375,745	$4,546,523,260	$4,637,453,725	$4,730,202,799
Incremental AV			$1,844,941,597	$2,081,376,950	$2,325,748,324	$2,411,434,132	$2,498,833,657	$2,587,981,171	$2,678,911,637	$2,771,660,711
Total tax increment @ 1%			$18,449,416	$20,813,770	$23,257,483	$24,114,341	$24,988,337	$25,879,812	$26,789,116	$27,716,607
City Average Share Available	16.20%	$321,337,950	$2,988,805	$3,371,831	$3,767,712	$3,906,523	$4,048,111	$4,192,529	$4,339,837	$4,490,090
Percent Allocated to EIFD	50.0%	$160,668,975	$1,494,403	$1,685,915	$1,883,856	$1,953,262	$2,024,055	$2,096,265	$2,169,918	$2,245,045
City Equivalent MVLF Share	5.75%	$114,125,228	$1,061,493	$1,197,527	$1,338,127	$1,387,427	$1,437,712	$1,489,004	$1,541,321	$1,594,684
Percent Allocated to EIFD	50.0%	$57,062,614	$530,747	$598,764	$669,064	$693,713	$718,856	$744,502	$770,660	$797,342
County Average Share Available	14.30%	$283,650,166	$2,638,266	$2,976,369	$3,325,820	$3,448,351	$3,573,332	$3,700,813	$3,830,844	$3,963,475
Percent Allocated to EIFD	50.0%	$141,825,083	$1,319,133	$1,488,185	$1,662,910	$1,724,175	$1,786,666	$1,850,407	$1,915,422	$1,981,737
Total Allocation to EIFD		$359,556,672	$3,344,283	$3,772,863	$4,215,830	$4,371,150	$4,529,577	$4,691,173	$4,856,001	$5,024,125

Illustrative Bonding Capacity Analysis	2035	2040
Net Revenue*	$2,785,553	$3,324,416
Bond Amount**	$36,375,636	$43,412,478
Net Proceeds* **	**$32,512,570**	**$38,869,811**

* Bondable revenue assuming $25,000 admin charge; 150% debt service coverag

** 6.5% interest rate; 30 year term

*** Proceeds net of 2% underwriter's discount, estimated reserve fund (minimur

Tax Increment Revenue Analysis - Santa Cruz EIFD

EIFD Tax Increment Analysis

		Total	16 2041	17 2042	18 2043	19 2044	20 2045	21 2046	22 2047	23 2048
New Development										
Rental Residential		2,382 units								
$500,000 per unit		$1,356,797,887	$0	$0	$0	$0	$0	$0	$0	$0
For Sale Residential		79 units								
$900,000 per unit		$80,997,758	$0	$0	$0	$0	$0	$0	$0	$0
Affordable Residential		675 units								
$0 per unit		$0	$0	$0	$0	$0	$0	$0	$0	$0
Commercial / Retail		75,115 SF								
$375 PSF		$32,089,381	$0	$0	$0	$0	$0	$0	$0	$0
Hotel		420 rooms								
$500,000 per room		$226,996,141	$0	$0	$0	$0	$0	$0	$0	$0
Industrial / Flex		126,445 SF								
$200 PSF		$28,809,456	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Value Add		$1,725,690,622	$0	$0	$0	$0	$0	$0	$0	$0
Total Assessed Value			$4,824,806,855	$4,921,302,992	$5,019,729,052	$5,120,123,633	$5,222,526,106	$5,326,976,628	$5,433,516,161	$5,542,186,484
Incremental AV			$2,866,264,767	$2,962,760,904	$3,061,186,964	$3,161,581,545	$3,263,984,018	$3,368,434,540	$3,474,974,072	$3,583,644,396
Total tax increment @ 1%			$28,662,648	$29,627,609	$30,611,870	$31,615,815	$32,639,840	$33,684,345	$34,749,741	$35,836,444
City Average Share Available	16.20%	$321,337,950	$4,643,349	$4,799,673	$4,959,123	$5,121,762	$5,287,654	$5,456,864	$5,629,458	$5,805,504
Percent Allocated to EIFD	50.0%	$160,668,975	$2,321,674	$2,399,836	$2,479,561	$2,560,881	$2,643,827	$2,728,432	$2,814,729	$2,902,752
City Equivalent MVLF Share	5.75%	$114,125,228	$1,649,115	$1,704,634	$1,761,264	$1,819,027	$1,877,944	$1,938,040	$1,999,338	$2,061,862
Percent Allocated to EIFD	50.0%	$57,062,614	$824,558	$852,317	$880,632	$909,513	$938,972	$969,020	$999,669	$1,030,931
County Average Share Available	14.30%	$283,650,166	$4,098,759	$4,236,748	$4,377,497	$4,521,062	$4,667,497	$4,816,861	$4,969,213	$5,124,611
Percent Allocated to EIFD	50.0%	$141,825,083	$2,049,379	$2,118,374	$2,188,749	$2,260,531	$2,333,749	$2,408,431	$2,484,606	$2,562,306
Total Allocation to EIFD		$359,556,672	$5,195,611	$5,370,528	$5,548,942	$5,730,925	$5,916,548	$6,105,883	$6,299,004	$6,495,989

Illustrative Bonding Capacity Analysis

Net Revenue*	$3,919,365
Bond Amount**	$51,181,719
Net Proceeds* **	**$45,888,720**

* Bondable revenue assuming $25,000 admin charge; 150% debt service coverag

** 6.5% interest rate; 30 year term

*** Proceeds net of 2% underwriter's discount, estimated reserve fund (minimur

Tax Increment Revenue Analysis - Santa Cruz EIFD

EIFD Tax Increment Analysis

		Total	24 2049	25 2050	26 2051	27 2052	28 2053	29 2054	30 2055	31 2056
New Development										
Rental Residential		2,382 units								
$500,000 per unit		$1,356,797,887	$0	$0	$0	$0	$0	$0	$0	$0
For Sale Residential		79 units								
$900,000 per unit		$80,997,758	$0	$0	$0	$0	$0	$0	$0	$0
Affordable Residential		675 units								
$0 per unit		$0	$0	$0	$0	$0	$0	$0	$0	$0
Commercial / Retail		75,115 SF								
$375 PSF		$32,089,381	$0	$0	$0	$0	$0	$0	$0	$0
Hotel		420 rooms								
$500,000 per room		$226,996,141	$0	$0	$0	$0	$0	$0	$0	$0
Industrial / Flex		126,445 SF								
$200 PSF		$28,809,456	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Value Add		$1,725,690,622	$0	$0	$0	$0	$0	$0	$0	$0
Total Assessed Value			$5,653,030,214	$5,766,090,818	$5,881,412,634	$5,999,040,887	$6,119,021,705	$6,241,402,139	$6,366,230,181	$6,493,554,785
Incremental AV			$3,694,488,125	$3,807,548,730	$3,922,870,546	$4,040,498,799	$4,160,479,616	$4,282,860,050	$4,407,688,093	$4,535,012,697
Total tax increment @ 1%			$36,944,881	$38,075,487	$39,228,705	$40,404,988	$41,604,796	$42,828,601	$44,076,881	$45,350,127
City Average Share Available	16.20%	$321,337,950	$5,985,071	$6,168,229	$6,355,050	$6,545,608	$6,739,977	$6,938,233	$7,140,455	$7,346,721
Percent Allocated to EIFD	50.0%	$160,668,975	$2,992,535	$3,084,114	$3,177,525	$3,272,804	$3,369,988	$3,469,117	$3,570,227	$3,673,360
City Equivalent MVLF Share	5.75%	$114,125,228	$2,125,636	$2,190,686	$2,257,037	$2,324,715	$2,393,746	$2,464,158	$2,535,978	$2,609,235
Percent Allocated to EIFD	50.0%	$57,062,614	$1,062,818	$1,095,343	$1,128,518	$1,162,357	$1,196,873	$1,232,079	$1,267,989	$1,304,617
County Average Share Available	14.30%	$283,650,166	$5,283,118	$5,444,795	$5,609,705	$5,777,913	$5,949,486	$6,124,490	$6,302,994	$6,485,068
Percent Allocated to EIFD	50.0%	$141,825,083	$2,641,559	$2,722,397	$2,804,852	$2,888,957	$2,974,743	$3,062,245	$3,151,497	$3,242,534
Total Allocation to EIFD		$359,556,672	$6,696,912	$6,901,855	$7,110,896	$7,324,118	$7,541,604	$7,763,441	$7,989,713	$8,220,512

Illustrative Bonding Capacity Analysis

Net Revenue*

Bond Amount**

Net Proceeds***

* Bondable revenue assuming $25,000 admin charge; 150% debt service coverag

** 6.5% interest rate; 30 year term

*** Proceeds net of 2% underwriter's discount, estimated reserve fund (minimur

Tax Increment Revenue Analysis - Santa Cruz EIFD

EIFD Tax Increment Analysis

		Total	32 2057	33 2058	34 2059	35 2060	36 2061	37 2062	38 2063	39 2064
New Development										
Rental Residential		2,382 units								
$500,000 per unit		$1,356,797,887	$0	$0	$0	$0	$0	$0	$0	$0
For Sale Residential		79 units								
$900,000 per unit		$80,997,758	$0	$0	$0	$0	$0	$0	$0	$0
Affordable Residential		675 units								
$0 per unit		$0	$0	$0	$0	$0	$0	$0	$0	$0
Commercial / Retail		75,115 SF								
$375 PSF		$32,089,381	$0	$0	$0	$0	$0	$0	$0	$0
Hotel		420 rooms								
$500,000 per room		$226,996,141	$0	$0	$0	$0	$0	$0	$0	$0
Industrial / Flex		126,445 SF								
$200 PSF		$28,809,456	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Value Add		$1,725,690,622	$0	$0	$0	$0	$0	$0	$0	$0
Total Assessed Value			$6,623,425,881	$6,755,894,398	$6,891,012,286	$7,028,832,532	$7,169,409,183	$7,312,797,366	$7,459,053,314	$7,608,234,380
Incremental AV			$4,664,883,793	$4,797,352,310	$4,932,470,198	$5,070,290,444	$5,210,867,095	$5,354,255,278	$5,500,511,226	$5,649,692,292
Total tax increment @ 1%			$46,648,838	$47,973,523	$49,324,702	$50,702,904	$52,108,671	$53,542,553	$55,005,112	$56,496,923
City Average Share Available	16.20%	$321,337,950	$7,557,112	$7,771,711	$7,990,602	$8,213,871	$8,441,605	$8,673,894	$8,910,828	$9,152,502
Percent Allocated to EIFD	50.0%	$160,668,975	$3,778,556	$3,885,855	$3,995,301	$4,106,935	$4,220,802	$4,336,947	$4,455,414	$4,576,251
City Equivalent MVLF Share	5.75%	$114,125,228	$2,683,957	$2,760,173	$2,837,913	$2,917,209	$2,998,090	$3,080,589	$3,164,738	$3,250,569
Percent Allocated to EIFD	50.0%	$57,062,614	$1,341,978	$1,380,086	$1,418,957	$1,458,604	$1,499,045	$1,540,294	$1,582,369	$1,625,285
County Average Share Available	14.30%	$283,650,166	$6,670,784	$6,860,214	$7,053,432	$7,250,515	$7,451,540	$7,656,585	$7,865,731	$8,079,060
Percent Allocated to EIFD	50.0%	$141,825,083	$3,335,392	$3,430,107	$3,526,716	$3,625,258	$3,725,770	$3,828,293	$3,932,866	$4,039,530
Total Allocation to EIFD		$359,556,672	$8,455,926	$8,696,049	$8,940,974	$9,190,797	$9,445,617	$9,705,534	$9,970,648	$10,241,065

Illustrative Bonding Capacity Analysis

Net Revenue*	
Bond Amount**	
Net Proceeds* **	

* Bondable revenue assuming $25,000 admin charge; 150% debt service coverag

** 6.5% interest rate; 30 year term

*** Proceeds net of 2% underwriter's discount, estimated reserve fund (minimur

Tax Increment Revenue Analysis - Santa Cruz EIFD

EIFD Tax Increment Analysis

		Total	40 2065	41 2066	42 2067	43 2068	44 2069	45 2070	46 2071	47 2072
New Development										
Rental Residential		2,382 units								
$500,000 per unit		$1,356,797,887	$0	$0	$0	$0	$0	$0	$0	$0
For Sale Residential		79 units								
$900,000 per unit		$80,997,758	$0	$0	$0	$0	$0	$0	$0	$0
Affordable Residential		675 units								
$0 per unit		$0	$0	$0	$0	$0	$0	$0	$0	$0
Commercial / Retail		75,115 SF								
$375 PSF		$32,089,381	$0	$0	$0	$0	$0	$0	$0	$0
Hotel		420 rooms								
$500,000 per room		$226,996,141	$0	$0	$0	$0	$0	$0	$0	$0
Industrial / Flex		126,445 SF								
$200 PSF		$28,809,456	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Value Add		$1,725,690,622	$0	$0	$0	$0	$0	$0	$0	$0
Total Assessed Value			$7,760,399,068	$7,915,607,049	$8,073,919,190	$8,235,397,574	$8,400,105,525	$8,568,107,636	$8,739,469,788	$8,914,259,184
Incremental AV			$5,801,856,979	$5,957,064,961	$6,115,377,102	$6,276,855,486	$6,441,563,437	$6,609,565,547	$6,780,927,700	$6,955,717,096
Total tax increment @ 1%			$58,018,570	$59,570,650	$61,153,771	$62,768,555	$64,415,634	$66,095,655	$67,809,277	$69,557,171
City Average Share Available	16.20%	$321,337,950	$9,399,008	$9,650,445	$9,906,911	$10,168,506	$10,435,333	$10,707,496	$10,985,103	$11,268,262
Percent Allocated to EIFD	50.0%	$160,668,975	$4,699,504	$4,825,223	$4,953,455	$5,084,253	$5,217,666	$5,353,748	$5,492,551	$5,634,131
City Equivalent MVLF Share	5.75%	$114,125,228	$3,338,118	$3,427,417	$3,518,503	$3,611,410	$3,706,175	$3,802,836	$3,901,430	$4,001,995
Percent Allocated to EIFD	50.0%	$57,062,614	$1,669,059	$1,713,709	$1,759,251	$1,805,705	$1,853,088	$1,901,418	$1,950,715	$2,000,998
County Average Share Available	14.30%	$283,650,166	$8,296,655	$8,518,603	$8,744,989	$8,975,903	$9,211,436	$9,451,679	$9,696,727	$9,946,675
Percent Allocated to EIFD	50.0%	$141,825,083	$4,148,328	$4,259,301	$4,372,495	$4,487,952	$4,605,718	$4,725,839	$4,848,363	$4,973,338
Total Allocation to EIFD		$359,556,672	$10,516,891	$10,798,233	$11,085,201	$11,377,910	$11,676,472	$11,981,005	$12,291,630	$12,608,466

Illustrative Bonding Capacity Analysis

Net Revenue*	
Bond Amount**	
Net Proceeds***	

* Bondable revenue assuming $25,000 admin charge; 150% debt service coverag

** 6.5% interest rate; 30 year term

*** Proceeds net of 2% underwriter's discount, estimated reserve fund (minimur

Tax Increment Revenue Analysis - Santa Cruz EIFD

EIFD Tax Increment Analysis

		Total	48 2073	49 2074	50 2075
New Development					
Rental Residential		2,382 units			
$500,000 per unit		$1,356,797,887	$0	$0	$0
For Sale Residential		79 units			
$900,000 per unit		$80,997,758	$0	$0	$0
Affordable Residential		675 units			
$0 per unit		$0	$0	$0	$0
Commercial / Retail		75,115 SF			
$375 PSF		$32,089,381	$0	$0	$0
Hotel		420 rooms			
$500,000 per room		$226,996,141	$0	$0	$0
Industrial / Flex		126,445 SF			
$200 PSF		$28,809,456	$0	$0	$0
Subtotal Value Add		$1,725,690,622	$0	$0	$0
Total Assessed Value			$9,092,544,368	$9,274,395,255	$9,459,883,160
Incremental AV			$7,134,002,280	$7,315,853,167	$7,501,341,072
Total tax increment @ 1%			$71,340,023	$73,158,532	$75,013,411
City Average Share Available	16.20%	$321,337,950	$11,557,084	$11,851,682	$12,152,173
Percent Allocated to EIFD	50.0%	$160,668,975	$5,778,542	$5,925,841	$6,076,086
City Equivalent MVLF Share	5.75%	$114,125,228	$4,104,572	$4,209,201	$4,315,922
Percent Allocated to EIFD	50.0%	$57,062,614	$2,052,286	$2,104,600	$2,157,961
County Average Share Available	14.30%	$283,650,166	$10,201,623	$10,461,670	$10,726,918
Percent Allocated to EIFD	50.0%	$141,825,083	$5,100,812	$5,230,835	$5,363,459
Total Allocation to EIFD		$359,556,672	$12,931,640	$13,261,276	$13,597,506

Illustrative Bonding Capacity Analysis
Net Revenue*
Bond Amount**
Net Proceeds***

* Bondable revenue assuming $25,000 admin charge; 150% debt service coverag
** 6.5% interest rate; 30 year term
*** Proceeds net of 2% underwriter's discount, estimated reserve fund (minimur

CRD Special Tax Analysis

Acres 10,131 AC
Existing Assessed Value $12,804,305,160

Assumed CRD Special Tax Rate	Annual Per Acre Tax	Total Annual Special Tax Revenue	Net Revenue*	Estimated Par Amount of CFD Bonds**	Estimated Net Bond Proceeds ***
0.05%	$632 per AC	$6,402,153	$5,795,139	$84,225,069	$76,395,429
0.10%	$1,264 per AC	$12,804,305	$11,615,277	$168,813,482	$153,471,935
0.15%	$1,896 per AC	$19,206,458	$17,435,416	$253,401,895	$230,548,441
0.20%	$2,528 per AC	$25,608,610	$23,255,555	$337,990,308	$307,624,947

* 110% debt service coverage ratio, $25,000 annual admin
** Estimated Par Amount of CFD Bonds (30 Year Term, Level Debt Service)
***2% Underwriter Discount, $350,000 Costs of Issuance, Reserve Fund Max Annual Debt Service

D) Stakeholder Engagement Plan and Findings

Memorandum

To: **City of Santa Cruz**
Bonnie Lipscomb, Brian Borguno

From: **Kosmont Companies**
Joseph Dieguez, Fernando Sanchez

Date: June 17, 2025

Subject: **Financing District Stakeholder Outreach in Progress**

I. BACKGROUND AND PURPOSE

Pursuant to Optional Task 5 (Stakeholder Engagement Plan) of the Scope of Services under the Professional Services Agreement between the City of Santa Cruz ("City") and Kosmont Companies ("Kosmont") for Financing District Feasibility Analysis, stakeholder engagement was envisioned as a critical component of the Financing District evaluation and ultimate implementation process.

Stakeholder outreach efforts have begun under the feasibility analysis phase of work, and are expected to continue throughout the potential implementation phase of work through Financing District implementation (and would continue on an ongoing basis following District formation). This Memorandum briefly summarizes the stakeholder outreach activities thus far, and anticipated future stakeholder outreach activities as part of potential Financing District implementation.

II. STAKEHOLDER OUTREACH ACTIVITIES THUS FAR

Outreach activities thus far have included:

a) Focused briefings with City departmental staff, County departmental staff, Downtown Plan Expansion project team, and major commercial property owners / developers within the City
b) Community Webinar Presentation on March 6, 2025 noticed via social media (recording available at the Financing District website linked below)
c) City Council briefing at a regular meeting on March 25, 2025
d) Financing District website established in April 2025: https://www.cityofsantacruz.com/government/city-departments/economic-development-and-housing/enhanced-infrastructure-financing-district-eifd

e) Published invitation on April 29, 2025 for community members to apply for a position on the Financing District governing Public Financing Authority board
f) City Council meeting on June 10, 2025 to appoint Councilmembers and members of the public to the EIFD Public Financing Authority Board.

Feedback has varied and has largely involved education and answering questions related to the mechanics of property tax increment financing ("TIF") and the impacts of Financing District implementation (i.e., "how does this affect me"). After clarifying that TIF does not add or increase taxes, stakeholder conversations have typically focused on potential use of Financing District revenues (i.e., what projects could ultimately be funded). These efforts have shaped the current of eligible projects, which remains open for further revision:

a) Affordable housing
b) Housing-supportive infrastructure Downtown (e.g., utility capacity enhancement)
c) Housing-supportive infrastructure along other key corridors within the City (e.g., Soquel, Mission, Ocean)
d) Library improvements
e) Recreational and entertainment infrastructure and facilities
f) Infrastructure to support recreational and entertainment facilities Downtown
g) Riverwalk improvements
h) Roadway / sidewalk / streetscape improvements (e.g., street realignment)
i) Other public amenities (e.g., parks, public plazas, pedestrian infrastructure)
j) Climate resilience investments Citywide (e.g., sea-level rise, flood control).

III. ANTICIPATED FUTURE STAKEHOLDER OUTREACH

Consistent with State law, implementation of a Financing District such as an Enhanced Infrastructure Financing District ("EIFD") requires ongoing public outreach and participation. Following is an outline of a potential process and timeline for implementation of a Financing District in Santa Cruz.

Target Date	Task
March 2025	a) City Council adopts Resolution of Intention (ROI) to form EIFD and establish governing Public Financing Authority (PFA) Board
April-May 2025	b) Application period for members of the public to sit on PFA Board
June 2025	c) PFA holds a public meeting to review status and direct the preparation of draft Infrastructure Financing Plan (IFP), which will guide EIFD activities
August 2025	d) Distribute draft IFP to property owners, affected taxing entities, City Council, planning commission, including mail, newspaper, and website notices
September 2025	e) PFA holds a duly-noticed public meeting to present the draft IFP to the public and property owners

September / October 2025	f) City Council considers resolution approving IFP and tax increment revenue allocation at a regular public meeting
October 2025	g) PFA holds a duly-noticed public hearing to hear additional comments and take action to modify or reject IFP, if appropriate, or otherwise proceed to a final public hearing
November 2025	h) PFA holds final, duly-noticed public hearing to consider oral and written protests from residents and landowners, if any, and take action to terminate proceedings or adopt the IFP and form the EIFD by resolution.

Beyond Financing District formation, State law requires that the governing PFA Board direct the preparation of an Annual Report on the progress of the Financing District, and the PFA must convene an annual public hearing to present the Annual Report, which is noticed in advance by mail and website notice.

It is anticipated that the Financing District website linked above would continue to serve as the "home base" for all information related to the Financing District, including contact information for key City staff that can assist the public with questions or input related to the Financing District on an ongoing basis.

E) Matrix – Overview of Financing District Alternatives and Related Legislation

kosmont companies

City of Santa Cruz
Summary of Primary Financing District Mechanisms
December 7, 2023

	Enhanced Infrastructure Financing District (EIFD)	Community Revitalization & Investment Authority (CRIA)	Infrastructure & Revitalization Financing District (IRFD)	Climate Resilience District (CRD)	Community Facilities District (CFD)
1) Authorizing Legislation	• **SB 628 (2014)** – enabling legislation revamping IFD to EIFD • **AB 313 (2015)** – clarified role of PFA, other clean ups • **AB 733 (2017)** – added climate change adaptation and public health projects • **AB 1568 (2017)** – created NIFTI; sales tax inclusion for EIFD encompassing entire city/county boundary • **SB 961 (2018)** – created NIFTI-2, similar to NIFTI • **SB 1145 (2018)** – added funding of infrastructure maintenance costs • **AB 116 (2019)** – removed public vote for bond issuance; added 3 public hearings and majority protest at formation	• **AB 2 (2015)** – established CRIA • **AB 2492 (2016)** – added flexibility to qualification metrics • **SB 780 (2021)** – administrative enhancements, clarifications for amendments, further flexibility on qualification metrics, ability to designate project areas within CRIA, revises 10-year protest clause to 15-year revisit for future activities	• **AB 229 (2014)** – established IRFD	• **SB 852 (2022)** – established CRD, based on EIFD law	• **Community Facilities Act of 1982** • **Articles XIIIA & XIIIC** of CA Constitution

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	• **AB 464 (2021)** – added facilities utilized by small business and non-profits • **SB 780 (2021)** – administrative enhancements, clarifications for amendments, ability to designate project areas within EIFD				
2) Eligibility	• **Taxing Entities** – any local taxing entity except schools / education entities • No geographic qualification required	• **Taxing Entities** – any local taxing entity except schools / education entities • **Geographic Criteria** – 70% of property must be (1) <80% area median income; and (2) three of four conditions related to high unemployment, crime rates, deteriorated or inadequate infrastructure/commercial/residential structures; alternatively if census tracts are Disadvantaged	• **Taxing Entities** – any local taxing entity except schools / education entities • No geographic qualification required	• **Taxing Entities** – any local taxing entity except schools / education entities • No geographic qualification required	• The public agency with most direct jurisdiction (**usually a City** in incorporated areas) serves as the public agency conduit • No geographic qualification required

City of Santa Cruz
Summary of Primary Financing District Mechanisms
December 7, 2023

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		Community (DAC) census tracts; former military bases; sites identified in City/County housing element inventory of sites suitable for residential development			
3) Governance	• **Oversight** – separate Public Financing Authority (elected officials of forming entities + community members) • **Documentation** – Infrastructure Financing Plan • **Land Assembly Powers** – no eminent domain authority, but can acquire property for eligible uses such as parks and other infrastructure	• **Oversight** – separate governing board (CRIA Board) • **Documentation** – Revitalization Investment Plan • **Land Assembly Powers** – eminent domain for first 12 years, can acquire and dispose of property for economic development purposes	• **Oversight** – sponsoring community legislative body (e.g., City Council or County Board of Supervisors) • **Documentation** – Infrastructure Financing Plan • **Land Assembly Powers** – no eminent domain authority, but can acquire property for eligible uses such as parks and other infrastructure	• **Oversight** – separate Public Financing Authority (elected officials of forming entities + community members) • **Documentation** – Infrastructure Financing Plan • **Land Assembly Powers** – no eminent domain authority, but can acquire property for eligible uses such as parks and other infrastructure	• Sponsoring community legislative body (e.g., City Council or County Board of Supervisors) • **Documentation** – Rate and Method of Apportionment (RMA), List of Authorized Facilities • **Land Assembly Powers** – no eminent domain authority, but can acquire property for eligible uses such as parks and other infrastructure

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December 7, 2023

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4) Approvals and Formation Process	• **Voter Approval** – no, but incudes majority protest opportunity • **Public Hearings** – 3 public hearings required at least 30 days apart • **Debt Issuance** – no election	• **Voter Approval** – no, but incudes majority protest opportunity • **Public Hearings** – 3 public hearings required at least 30 days apart; public hearing every 15 years on plan amendments • **Debt Issuance** – no election	• **Voter Approval** – yes, 2/3 of voters or landowners • **Public Hearings** – 1 public hearing required at least 60 days after distributing Infrastructure Financing Plan • **Debt Issuance** – 2/3 of voters or landowners	• **Voter Approval** – no, but incudes majority protest opportunity • **Public Hearings** – 3 public hearings required at least 30 days apart • **Debt Issuance** – no election	• **Voter Approval** – yes, 2/3 of voters or landowners • **Public Hearings** – 1 public hearing required at least 60 days after distributing Infrastructure Financing Plan • **Debt Issuance** – no election
5) Primary Revenues Available	• Property tax increment • Property tax in lieu of Motor Vehicle License Fees (MVLF) • Redevelopment Property Tax Trust Fund (RPTTF) residential revenues	• Property tax increment • Property tax in lieu of Motor Vehicle License Fees (MVLF) • Redevelopment Property Tax Trust Fund (RPTTF) residential revenues	• Property tax increment • Redevelopment Property Tax Trust Fund (RPTTF) residential revenues	• Property tax increment • Property tax in lieu of Motor Vehicle License Fees (MVLF) • Redevelopment Property Tax Trust Fund (RPTTF) residential revenues • May levy additional benefit assessment or special tax (similar to CFD)	• CFD special tax levied on parcels within CFD (as approved by landowners / voters)

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	Enhanced Infrastructure Financing District (EIFD)	Community Revitalization & Investment Authority (CRIA)	Infrastructure & Revitalization Financing District (IRFD)	Climate Resilience District (CRD)	Community Facilities District (CFD)
6) Use of Funds	• **Eligible Activities** – Any property with useful life of 15+ years & of communitywide significance; purchase, construction, expansion, improvement, seismic retrofit, rehabilitation, and maintenance • **Projects Outside Boundaries** – Yes if "tangible connection" to District	• **Eligible Activities** – infrastructure, affordable housing, remediation, property acquisition/transfer, issue bonds, make loans or grants • **Projects Outside Boundaries** – No •	• **Eligible Activities** – Any property with useful life of 15+ years & of communitywide significance; purchase, construction, expansion, improvement, seismic retrofit, rehabilitation, and maintenance **Projects Outside Boundaries** – yes if "tangible connection" to District	• **Eligible Activities** – capital projects designed and implemented to address climate change mitigation, adaptation, or resilien2ce; operations and maintenance • **Projects Outside Boundaries** – Yes if "tangible connection" to District	• **Eligible Activities** – Purchase, construction, expansion, improvement or rehabilitation of real or other tangible property with an expected useful life of 5 years or longer which the local agency is authorized by law to construct, own, operate, or to which it may contribute revenue • Maintenance and services • **Projects Outside Boundaries** – yes if "tangible connection" to District
7) Affordable Housing	• 100% of units constructed or rehabilitated by District units must be affordable • Housing replacement obligations for any units displaced	• 25% of funds must be used for affordable housing • 30% of units constructed or rehabilitated by CRIA must be low/mod, and 50% very low	• 20% of units constructed or rehabilitated by District units must be low/mod	• Not eligible	• Not used to finance housing

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		• 15% of units constructed or rehabilitated by other entity within CRIA must be low/mod, and 40% of which at very low			
8) Time Limits and Reporting	• **Time Limits** – terminates 45 years after first debt issuance approval • **Reporting** – annual report and annual independent financial audit	• **Time Limits** – 30 years to issue debt; 45 years to repay debt; 45 years to complete activities • **Reporting** – annual report and annual independent financial audit	• **Time Limits** – terminates 40 years after adoption or later date if specified by ordinance, 30 years to repay debt • **Reporting** – annual report	• **Time Limits** – terminates 45 years after first debt issuance approval • **Reporting** – annual report and annual independent financial audit	• **Time Limits** – terminates 40 years to repay debt • **Reporting** – annual report
9) Relevant Local Policy Guidance	• N/A	• N/A	• N/A	• N/A	• City would typically need to adopt financial policies and procedures, if not already adopted