



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: 21-1052, Version: 1

- a. Consider approval of an Infrastructure Financing Plan and Memorandum of Agreement with the City of Gonzales authorizing the County's joint participation in the proposed City of Gonzales Enhanced Infrastructure Financing District No. 1, which would finance infrastructure development within the existing City of Gonzales Agricultural Industrial Business Park
- b. Authorize the County Administrative Officer, or his designee, to execute the Memorandum of Agreement on behalf of the County;
- c. Finding that the County's participation in the City of Gonzales Enhanced Infrastructure Financing District No. 1 is not a project within the meaning of the California Environmental Quality Act.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Consider approval of an Infrastructure Financing Plan and Memorandum of Agreement with the City of Gonzales authorizing the County's joint participation in the proposed City of Gonzales Enhanced Infrastructure Financing District No. 1, which would finance infrastructure development within the existing City of Gonzales Agricultural Industrial Business Park
- b. Authorize the County Administrative Officer, or his designee, to execute the Memorandum of Agreement on behalf of the County;
- c. Finding that the County's participation in the City of Gonzales Enhanced Infrastructure Financing District No. 1 is not a project within the meaning of the California Environmental Quality Act.

SUMMARY:

Enhanced Infrastructure Financing Districts (EIFD) were introduced by the passage of SB 628 (Beall and Wolk) in 2014. , As codified (at California Government Code section 53398.50, et seq.), SB 628 authorizes local agencies to create an EIFD within a specific geographic to finance specified infrastructure projects and facilities. If approved, the Gonzales EIFD would be the first EIFD created in the County of Monterey. By devoting future property tax increment to infrastructure development within the City of Gonzales Agricultural Industrial Business Park, the County would be providing important support for economic development benefitting both the City and the County.

DISCUSSION:

EIFD law allows a city and/or county to create an EIFD to finance specified infrastructure projects using property tax increment (growth). In addition to the Memorandum of Agreement between the City and the County, EIFD law requires the preparation and approval of an Infrastructure Financing Plan (IFP). The plan, prepared by Willdan Financial Services under contract to the City of Gonzales, is attached to this Board report as Exhibit "C". Under the EIFD law, the Infrastructure Financing plan must include:

1. A map and legal description of the proposed EIFD;
2. A description of the public facilities required to serve the development proposed in the EIFD, including the location, timing, and costs of the public improvements/facilities. Here, these public facilities include street improvements, a traffic signal, detention basin, new water main, new sewer trunk main, and wastewater treatment plant improvements/facilities;

3. A finding that the facilities are of community-wide importance and provide significant benefits to an area larger than the EIFD area of the EIFD; and
4. A financing section, which includes:
 - a. specification of the maximum portion of incremental tax revenue that the City and County propose to commit for each year during which the EIFD will receive incremental revenue;
 - b. projection of the annual tax revenues to be received by the EIFD;
 - c. a limit on the total dollar amount of taxes that may be allocated to the EIFD pursuant to the plan;
 - d. a date on which the EIFD will terminate;
 - e. an analysis of the City's costs to provide facilities and services to the EIFD area; and
 - f. an analysis of the projected fiscal impact of the EIFD and associated development on each taxing entity.

The following information regarding the required EIFD financing plan components was provided by Willdan Financial Services, preparer of the EIFD Fiscal Impact Analysis:

The financing section includes:

- a. specification of the maximum portion of incremental tax revenue that the City and County propose to commit for each year during which the EIFD will receive incremental revenue

Consultant comment:

This information for the first 30 years of tax increment collection is contained in Table 6 of the Infrastructure Financing Plan. The County of Monterey will contribute up to \$316,703 annually through Fiscal Year 2051-52 with a total contribution of approximately \$7,979,510 in nominal dollars. The City of Gonzales will contribute up to \$325,251 in property tax increment and up to \$590,672 in Property Tax In-Lieu of VLF annually through Fiscal Year 2051-52, with a total contribution of approximately \$8,194,891 and \$14,882,332, respectively. The total tax increment from all sources is expected to be approximately \$31,056,733 in nominal dollars.

- b. projection of the annual tax revenues to be received by the EIFD

Consultant comment:

This information for the first 30 years of tax increment collection is also contained in Table 6 of the Infrastructure Financing Plan. The annual tax increment revenues to be received by the EIFD range from \$10,115 in FY 2022-23 to \$31,056,733 in FY 2051-52, with a total of \$31,056,733 to be received throughout the life of the EIFD (in nominal dollars).

- c. a limit on the total dollar amount of taxes that may be allocated to the EIFD pursuant to the plan

Consultant comment:

The total amount of tax increment that may be collected by the EIFD is \$250,000,000. This limit provides for the possibility that tax increment revenues may be collected beyond the 30-year analysis period contained in the Infrastructure Financing Plan.

- d. a date on which the EIFD will cease to exist

Consultant comment:

The end date of the EIFD will be the earlier of (a) 30 years from the date on which the issuance of

bonds is approved, or (b) 30 years from the date the City of Gonzales approves a loan from the City to the EIFD. In the case where no bonds are issued and no loans are approved, the EIFD will continue to collect tax increment as long as revenues are needed to fund the facilities.

- e. an analysis of the costs to the City of providing facilities and services to the EIFD area

Consultant comment:

The City has identified \$24.25 million in public facilities to serve the project area initially. More public facilities will be added as development progresses. The City will spend about \$222,000 per year in increased general expenditures associated with the development of the project.

- f. an analysis of the projected fiscal impact of the EIFD and associated development on each taxing entity

Consultant comment:

Our fiscal impact analysis concluded that the establishment of the EIFD and construction of the project combined would result in a net deficit of \$141,384 per year to the City of Gonzales and a surplus of \$42,214 to the County of Monterey.

For both the City and the County, the base property tax collections are not affected. The City incurs expenditures associated with the project related to operations and maintenance of new infrastructure, as well as provision of City services for increases in the daytime population resulting from the project's development. While we acknowledge that the County may have some indirect expenditures, the analysis is limited to measurable direct expenditures, and for the County, there were none associated with the development of the project.

Proposed Gonzales EIFD Memorandum of Agreement Key Provisions

Key provisions of the draft City-County MOA include:

1. County would have one voting member on the five-member EIFD Public Financing Authority. The County representative would be the member of the Board of Supervisors whose district includes the City of Gonzales. In the event that Board member is unable to attend a meeting of the Public Financing Authority, they may designate a member of their staff to represent them at the meeting. Two members would be from the Gonzales City Council. Two members would be from the public, to be chosen by the City Council, acting on behalf of both the City and the County.
2. The term of the EIFD would be 30 years unless extended by mutual agreement of the City and the County.
3. Tax increment generated within the EIFD area would be distributed as follows:
 - a. 80% to fund infrastructure related to the EIFD area
 - b. 20% to fund affordable housing within the Gonzales sphere of influence
 - c. County to receive credit for a pro-rata share of affordable housing developed pursuant to 3.b above
4. There is no pledge or commitment of County general fund dollars

5. Approval of the MOA and EIFD does not constitute a “project” under CEQA
6. The City and County agree to a 50/50 split of sales and use tax generated within the EIFD beyond a base level established at the time of entering into the agreement
7. The City of Gonzales will provide staff for the EIFD

California Environmental Quality Act (CEQA)

Staff reviewed CEQA and determined that the County’s participation in the City of Gonzales Enhanced Infrastructure Financing District No. 1 is not a project within the meaning of CEQA. CEQA Guidelines, section 15378(b)(4) provides that, for CEQA purposes, the term “project” “does not include . . . (4) The creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.” Staff concluded that the Gonzales EIFD falls within these provisions as it is merely a government funding mechanism that does not commit either the City of Gonzales or the County to a specific project subject to CEQA.

OTHER AGENCY INVOLVEMENT:

Work on this EIFD was initiated by the City of Gonzales. Staff had extensive discussion with the Gonzales city manager and the previous County Administrative Officer.

County staff participating in this matter include those from the Auditor-Controller, County Counsel, and the County Administrative Office

FINANCING:

Impacts to the General Fund will occur in the future to the extent that property tax increment within the EIFD project area will be redirected to financing purposes within the project area as identified in the Infrastructure Financing Plan.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Participation in the City of Gonzales EIFD will benefit economic development within the City of Gonzales and the County of Monterey.

Mark a check to the related Board of Supervisors Strategic Initiatives

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

Prepared by: Nicholas E. Chiulos, Assistant County Administrative Officer

Attachments:

Draft Board of Supervisors Resolution
Draft Memorandum of Agreement
City of Gonzales Infrastructure Financing Plan for Enhanced Infrastructure Financing District No. 1

CC:
Rene Mendez, City of Gonzales
Auditor-Controller