



COUNTY OF HUMBOLDT

For the meeting of: 6/29/2021

File #: 21-505

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Departmental

SUBJECT:

Resolution of Intention to Establish the Samoa Peninsula Enhanced Infrastructure Financing District, establishing a Public Financing Authority, and Authorizing Other Actions

RECOMMENDATION(S):

That the Board of Supervisors:

1. Receive a report from staff on its findings for the establishment of an Enhanced Infrastructure and Financing District (EIFD); and
2. Adopt a Resolution of Intention to establish the Samoa Peninsula Enhanced Infrastructure Financing District (Samoa Peninsula EIFD), establishing a Public Financing Authority to govern the EIFD, authorizing related actions, and setting a public meeting for October 14, 2021, at 3:00 at the Board Chambers.

SOURCE OF FUNDING:

General Fund (1100) - Property Tax

DISCUSSION:

EIFD Overview

The California Legislature authorized the formation of an Enhanced Infrastructure and Financing Districts (EIFDs) in 2014 through Senate Bill 628, and the statutory framework for EIFDs, which has been amended multiple times since 2014, is codified in Chapter 2.99 of Part 1 of Division 2 of Title 5 of the California Government Code (commencing with Section 53398.50) (EIFD Law).

An EIFD is a special financing district, a governmental entity comprised of both public and private partners distinct from the entity which establishes it. EIFDs can aid communities in funding a wide and diverse variety of public capital improvement projects and other projects of communitywide significance set forth in state law, by capturing and leveraging property tax increment (PTI) generated within the EIFD area. The EIFD does not impose a new tax. Added improvements gained through

EIFD funding supports future development and results in increased property values. This generates increased property tax revenues from the “base year” which can then be leveraged for additional improvements.

Affected taxing entities are not required to contribute their PTI for the EIFD. Participation in the EIFD is voluntary. Each tax sharing entity which elects to join an EIFD has the option to allocate up to 100% of its portion of tax increment to the district. Under the EIFD law, school districts are precluded from participation.

Background

Developing and maintaining public infrastructure on the Samoa Peninsula is central to promoting economic prosperity, meeting energy goals, creating jobs, and enhancing quality of place and life in Humboldt County. Multiple proposed projects on the Samoa Peninsula will require functional infrastructure to succeed. Beginning in May of 2019, staff presented a report on the lack of modern and working infrastructure on the Samoa Peninsula, and your Board directed staff to establish a task force whose purpose was to engage in intradepartmental communication concerning Responsible Engagement for the Development of Infrastructure (REDI) (Agenda item 19-642 from May 21, 2019).

In September 2019 staff provided an overview of partnership & financing options for infrastructure development on the Samoa Peninsula, based on findings of the REDI task force initiative. Your Board directed staff to explore financing vehicles for infrastructure development, and to work with stakeholders sharing a vested interest in infrastructure development on the Samoa Peninsula.

In March of 2020, the County formed the Samoa Peninsula Infrastructure Workgroup (Workgroup), with the purpose to, “explore potential funding opportunities to create and/or improve existing infrastructure on the Samoa Peninsula which may include the possibility of creating an entity that can seek resources for the infrastructure needs of the Samoa Peninsula for economic development improvements and the betterment of the community members who live there and the economy of Humboldt County.” Through the Workgroup and communication with state partners, staff identified the EIFD as the preferred infrastructure improvement investment vehicle and now brings this Resolution of Intention to form the Samoa Peninsula EIFD to your Board for approval.

Proposed Samoa Peninsula EIFD

The proposed EIFD project area consists of four subareas (Table 1 of the Samoa Peninsula EIFD Assessment), encompassing approximately 2,461 acres along the Samoa Peninsula southwest of the State Route 255 bridge (See Exhibit A to the Resolution of Intention). The different subareas contain a variety of land use designation including residential, light & heavy industrial (coastal dependent and otherwise), commercial, and recreational. There are three communities (Samoa, Fairhaven, & Finn Town), 18.7 miles of public roads, one public elementary school, and roughly 450 residents within the project area. The peninsula lies on the deep-water port of Humboldt Bay, California’s second largest natural bay, and was once a high traffic port with national significance.

With plans for sustainable development in energy, aquaculture, and international communication, the Samoa Peninsula and Humboldt Bay have the potential to redefine their national significance. The largest community on the peninsula, the historic Town of Samoa, has just developed a new affordable housing complex, and is in the process of developing additional residential, commercial, and recreational areas. The peninsula has long been home to large industrial manufacturing, such as the old pulp mill, but now has plans to redevelop this infrastructure towards new more sustainable industries.

The Samoa Peninsula is also a popular destination for recreational enthusiasts, allowing visitors boat access, motorized beach and dune access, multiple points for pedestrian beach access, and sport fishing. Lastly, the district lies in an opportunity zone, which provides tax incentives for investment that support environmental justice, sustainability, climate change, and affordable housing, which allows for implementation of the EIFD.

Potential Infrastructure Projects

EIFDs are designed to fund a wide and diverse variety of community infrastructure projects. Feedback from stakeholder interviews conducted by CCRP highlighted that property owners in the proposed EIFD area are interested in infrastructure development which supports both private and public partnerships. Feedback gleaned from these stakeholder interviews and through discussions with other stakeholders illustrated a demand for infrastructure development which supports, among others:

- Coastal dependent industries and aquaculture projects to aid in the development of existing and growing industries on the Samoa Peninsula.
- Green energy projects which align with local and state goals for energy resiliency, innovation, and independence, and which align with climate change mitigation strategies, including sea level rise and tsunami mitigation as well as earthquake and fire mitigation.
- Renewable energy opportunities such as solar projects and emerging value-added forest product industries, such as torrefied pellet and mass timber manufacturers, that increase the demand for and market value of small diameter timber and biomass in order to fuel forest thinning, reduce risks to communities from overstocked forests, and combat climate change by sequestering carbon.
- Planning, building, zoning, and permitting activities for ongoing and new development projects.

The governing body of the proposed EIFD would undertake a series of public hearings to gather and consider public input on an infrastructure financing plan, which would aim to provide the infrastructure necessary to promote coastal dependent economic development, with additional opportunities to enhance the lives of residents and small businesses through other capital projects. For example, the EIFD could fund projects related to broadband and internet connectivity which would have a direct positive impact on small businesses and neighborhoods. Similarly, infrastructure projects which enhance quality of place and quality of life, such as recreational improvements, trail facilities, etc. may also be funded through the EIFD.

Resolution of Intention to Form the EIFD

Pursuant to the EIFD Law, proceedings for the establishment of an EIFD are instituted by the Board of Supervisors adopting a Resolution of Intention (ROI). In addition to stating the County's intent to form the EIFD, the ROI must:

1. Describe the boundaries of the proposed EIFD.
2. State the type of public facilities and development proposed to be financed or assisted by the EIFD.
3. State the need for the EIFD and the goals it proposes to achieve.
4. State that incremental property tax revenue from the County may be used to finance the activities of the EIFD.
5. Fix a time and place for a public hearing.

The ROI is the first step in establishing the EIFD. If approved, staff will proceed to evaluate the fiscal impacts, confirm eligible facilities, and prepare the draft IFP for future Board consideration. At the same time as the ROI is adopted, the Board must establish a Public Financing Authority (PFA) as the governing board for the EIFD.

Public Financing Authority for the Samoa Peninsula EIFD

Section 53398.51.1(b) of the EIFD Law requires that the PFA be established at the same time your Board adopts the ROI. The PFA will serve as the governing board of the EIFD. The first action of the PFA will be to order the preparation of the IFP which, upon its completion, will be distributed to your Board and other interested parties as identified in the EIFD Law. The PFA must ensure the IFP is made available for public inspection and direct the distribution of the IFP, along with any reports required by California Environmental Quality Act (CEQA) pertaining to the proposed public facilities, to each landowner in the district, the legislative body of each affected taxing entity, and the Planning Commission. After the IFP has been mailed to each affected taxing entity, the PFA shall conduct a noticed public hearing on the EIFD (the date and time having been set by the county at the time it adopted the ROI; in this case October 14, 2021, at 3:00 PM), during which it considers any oral and written objections. The county Board of Supervisors, as the legislative body of a participating affected taxing entity, must review the IFP and approve it by resolution. The PFA will then conduct three public hearings on the formation of the EIFD. Upon conclusion of the third public hearing, the PFA may approve the IFP and officially establish the EIFD unless a majority protest prevents as much.

A summary of the key actions for establishing the EIFD, as well as estimated dates of completion, is provided in the Samoa Peninsula EIFD Proposed Schedule which is attached hereto. As shown in this timeline, staff will return to your Board in the future with the proposed IFP for your Board's review and approval, and the PFA cannot establish the EIFD without your Board first approving the IFP.

The Samoa Peninsula EIFD PFA would consist of five members, with a majority of members from the

legislative body of the affected taxing entity and members of the public whose appointments are approved by the Board of Supervisors.

The PFA, as a local public agency, is subject to the Ralph M. Brown Act and will be authorized and directed to adopt rules, regulations, and procedures pursuant to those and other applicable laws as the PFA deems necessary to perform its functions.

ENVIRONMENTAL CONSIDERATIONS: California Environmental Quality Act (CEQA): The ROI to establish the EIFD is a notice regarding a financing, organizational and administrative activity that will not result in direct or indirect physical changes in the environment. A subsequent resolution establishing the EIFD and other actions, including review under CEQA, are required prior to any proposed physical changes. Thus, the adoption of the proposed Resolution does not constitute a project and is not subject to CEQA review. CEQA Guidelines section 15378(b)(4)&(5); 15060(c)(3).

FINANCIAL IMPACT:

Though the exact amount of increment allocated to the EIFD would be up to your Board, staff would recommend that the base year be set as Fiscal Year 2020-2021 and that 75% of the PTI (increment) above the base year be allocated to the EIFD with the remaining 25% of the PTI reserved for the general fund. The EIFD assessment (attached to the agenda item) models out total PTI of between \$98 and \$128M over 30 years (page 8 of the assessment). 75% of this would be \$73.5 or \$96M (respectively) over 30 years.

Existing staff resources from various departments, including the County Administrative Office of Economic Development, the Planning and Building Department, County Counsel, the Clerk-Recorder's Office, the Auditor-Controller, the Assessor, and the Treasurer Tax Collector, will be instrumental in initial EIFD formation. Cumulative staff hours across these departments for the initial establishment of the EIFD are anticipated to be 520 staff hours per fiscal year, for the first two (2) years. Once EIFD activity increases staff time to support the EIFD is expected to increase. However, after established, staff time can be self-funded by EIFD revenues. At the fully burdened rate of staff sharing the same compensation rate and classification of an Economic Development Coordinator a 520-hour commitment represents an investment of \$33,800 per fiscal year. Until self-sufficient, this staff commitment would need to be funded through existing department budgets or through an increase from the General Fund. EIFD law does provides that tax increment generated may be allocated to formation planning for the EIFD.

The Governor's proposed budget includes \$500m in one-time ARPA funds for Regional Early Action Planning (REAP) grants to provide additional planning and implementation funds to regional entities for infill developments, targeted towards the state's climate goals previous round eligible uses of REAP included funding for education and awareness of various tax increment financing tools, promoting use of local tax increment financing tools (i.e., Enhanced Infrastructure Financing Districts (EIFDs), Community Revitalization and Investment Authorities (CRIAs), Affordable Housing Authorities (AHAs), Infrastructure and Financing Revitalization Districts (IFRDs) and Neighborhood Infill Finance and Transit Improvements (NIFTI) districts. Staff is presently working with its partners at the Governor's office of Economic Development to identify grant sources, like REAP, to augment

revenues to support creation of the Samoa Peninsula EIFD.

Based on findings as reflected in the EIFD Assessment PTI allocations to the district would not begin until 2023. Once formed, property tax revenues up to the base year amount would continue to contribute to the county General Fund and a percentage of the increment revenue could be allocated to the EIFD. The EIFD allocation would not be available for General Fund activities.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by supporting business, workforce development and creation of private-sector jobs .

OTHER AGENCY INVOLVEMENT:

State of California Governor's office of Economic Development, Humboldt County Assessor, Humboldt County Treasurer Tax Collector, Humboldt Bay Harbor, Recreation & Conversation District, the Samoa Peninsula Community Services District, the Manila Community Services District, the Humboldt Bay Municipal Water District, the City of Eureka, the City of Arcata

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board Discretion

ATTACHMENTS:

- A - Resolution of Intention
- B -Samoa Peninsula EIFD Proposed Schedule
- C - Samoa Peninsula EIFD Assessment

PREVIOUS ACTION/REFERRAL:

Board Order No.: N/A
Meeting of: May 21st, 2019, September 3rd, 2019, March 17th, 2020
File No.: 19-642, 19-1246, 20-204