



Staff Reports

File #: 252-2022, **Version:** 1

To: Public Financing Authority of the Napa Enhanced Infrastructure Financing District

From: Vin Smith, Community Development Director

Prepared By: Neal Harrison, Economic Development Manager

TITLE:

Public Hearing on Napa EIFD Infrastructure Financing Plan

RECOMMENDED ACTION:

1. Conduct a protest proceeding regarding the recommended approval of the Infrastructure Financing Plan for the Napa Enhanced Infrastructure Financing District to determine the percentage of protests filed by the combined number of eligible landowners and residents who are at least 18 years of age.
2. If the percentage of protests is less than 25 percent: Adopt a resolution adopting the Infrastructure Financing Plan for the Napa Enhanced Infrastructure Financing District, forming the Napa Enhanced Infrastructure Financing District, authorizing a judicial validation action, and authorizing certain other actions relating thereto.
3. If the percentage of protests is 25 percent or more: Provide direction to staff regarding potential next steps in accordance with state law.

DISCUSSION:

An Enhanced Infrastructure Financing District (which may be referred to as “EIFD” or “District”) is a governmental entity that may be established by the City Council to use future incremental City property tax revenue from within the EIFD to fund public capital facilities and infrastructure, as well as other specified projects of communitywide significance that provide significant benefits to properties within the EIFD as well as the surrounding community. EIFDs are funded by capturing all or a portion of the future property tax increment revenue (i.e., the difference in property taxes received by the City prior to and after establishment of the EIFD) generated within the boundaries of the District. Thus, there are no new taxes imposed on the public and no existing City tax revenues are affected. The EIFD may finance projects through the issuance of bonds or other debt and/or under a “pay-go” model where money is spent as it is collected. The requirements for the City’s establishment of an EIFD are set forth in California Government Code Sections 53398.50 and following (referred to as the “EIFD Law”).

The proposed District boundaries include areas of the City that are currently vacant, significantly

underutilized, and/or proposed for extensive development or redevelopment, as these areas represent the greatest potential for property tax growth and where investment in infrastructure has the capacity to trigger substantial economic development benefits.

On July 20, 2021, the City Council adopted two resolutions: a resolution declaring its intention to establish the Napa Enhanced Infrastructure Financing District ("Napa EIFD") and a resolution establishing the Public Financing Authority of the Napa Enhanced Infrastructure Financing District ("PFA"). The PFA is the Napa EIFD's governing board and is made up of three Council members and two members of the public.

On August 24, 2021, the PFA held its first meeting and adopted a resolution directing the preparation of the Infrastructure Financing Plan ("IFP") for the Napa EIFD. The IFP will establish the legal description of the Napa EIFD's boundaries, describe the projects that may be funded by the District, identify the maximum portion of incremental property tax revenue and projected total revenue that will be allocated by the City to the District, evaluate the net fiscal impact of the EIFD to the City's General Fund, and identify the date when the District will cease to exist (Attachment 1).

On October 20, 2021, the PFA held its first official public meeting to review the draft IFP and set the official public hearing schedule. Following the public meeting, on December 2, 2021, City staff presented the Napa EIFD and the IFP to the Planning Commission.

On February 2, 2022, the PFA held the first official public hearing to receive comments from the public.

City Staff with the City's consultant, Kosmont Companies, made the following changes to the IFP based on feedback between the initial draft IFP and the version dated February 17, 2022.

- Section 2.0 - addition of language clarifying that no tax increment will be allocated to the EIFD from property outside of current City boundaries unless it is annexed to the City
- Section 3.2 - removal of the phrasing "priority" and "secondary priority" and clarification that the list of projects were divided between those that had extensive planning already conducted and those additional planned projects that require further study and evaluation, but that the PFA has authority to approve any projects based on determined approval processes
- Section 5.0 - addition of language clarifying the contingent nature of annual allocation of tax revenues by City
- Section 5.4 - addition of language clarifying the extent of dollar allocation and approval process
- Section 9.0 - addition of Glossary of terms used throughout the IFP

On March 1, 2022, the City Council held a noticed public hearing and adopted a resolution to approve the IFP, including the percentage of property tax increment revenues that will be allocated to the EIFD (along with a total dollar cap) subject to compliance by the Napa EIFD and the PFA with the IFP for the Napa EIFD. As set forth in the IFP, the City's allocation of tax increment is contingent upon the PFA's use of such increment for authorized purposes, and the City Council reserved the right to approve any bonds, notes, agreements or contractual obligations of the Napa EIFD that are payable from such tax increment.

On March 30, 2022, the PFA held its second public hearing to consider any additional written and oral

comments from the public and to take action to modify or reject the IFP as appropriate, or otherwise to proceed to a third PFA public hearing at which a protest proceeding of landowners and residents will be conducted. The IFP was not rejected at the second public hearing, and so the PFA is proceeding to a third public hearing.

The EIFD Law authorizes the Napa EIFD and the City to file a judicial validation action in the Superior Court of Napa County under Code of Civil Procedure Section 860 to review the creation of the Napa EIFD, the adoption of the IFP, and the division of taxes thereunder. This type of judicial validation action is a best practice of local governmental agencies that are contemplating the issuance of bonds in order to finance public infrastructure, such as is contemplated for the Napa EIFD, in order to provide an additional layer of protection to those who invest in the bonds. Based on advice of the City Attorney, as counsel to the Napa EIFD, staff recommends (as a component of the recommended resolution) that the PFA authorize the filing of this validation action.

CURRENT ACTION:

The current action before the PFA is to conduct a protest proceeding among landowners and residents that are at least 18 years of age within the boundaries of the Napa EIFD. If less than 25 percent of the combined number of landowners and residents who are at least 18 years of age in the area of the Napa EIFD file written or oral protests to the formation of the Napa EIFD or the adoption of the IFP (attachment 1) before the close of the public hearing, the PFA may consider adoption of a resolution approving the IFP and forming the Napa EIFD and authorizing a judicial validation action.

If between 25 percent and 50 percent of the combined number of landowners and residents in the area of the Napa EIFD who are at least 18 years of age file written or oral protests to the formation of the EIFD or the adoption of the IFP before the close of the public hearing, the PFA may call a special election to approve the IFP and form the Napa EIFD.

If more than 50 percent of the combined number of landowners and residents in the area of the Napa EIFD who are at least 18 years of age file written or oral protests to the formation of the Napa EIFD or the adoption of the IFP before the close of the public hearing, the PFA must terminate Napa EIFD formation proceedings.

A mailer noticing the public hearing and protest opportunity has been sent to each property owner within the District, the PFA members, the Planning Commission, and the City Council. The notice explained that documentation related to the Napa EIFD, including a copy of the draft Boundary Map and draft IFP are available (1) online at www.cityofnapa.org/NapaEIFD <<http://www.cityofnapa.org/NapaEIFD>>, (2) in-person at the Community Development Department, 1600 1st Street, Napa, CA, 94559 and (3) by emailing economicdevelopment@cityofnapa.org or calling (707) 257-9540.

FINANCIAL IMPACTS:

There is no fiscal impact associated with the public hearing.

If the Napa EIFD is formed, a portion of future property tax revenue increases from properties within the Napa EIFD that would otherwise be received in the City's general fund would be allocated to the Napa EIFD for the purpose of funding infrastructure and other public improvements, subject to

compliance by the Napa EIFD and the PFA with the IFP for the Napa EIFD. As set forth in the IFP, the City's allocation of tax increment is contingent upon the PFA's use of such increment for authorized purposes, and the City Council reserved the right to approve any bonds, notes, agreements or contractual obligations of the Napa EIFD that are payable from such tax increment.

CEQA:

The Community Development Director has determined that the Recommended Action described in this Staff Report is not subject to the California Environmental Quality Act ("CEQA") since it is not in-and-of itself a "project" (pursuant to CEQA Guidelines Section 15378), and since it involves the creation of a government funding mechanism that does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment per CEQA Guidelines Section 15378(b)(4). Additionally, the Recommended Action is exempt from CEQA since it can be determined with certainty that there is no possibility it will result in a significant effect on the environment. However, future actions (such as the funding of infrastructure improvements using funding from the Napa EIFD) will be subject to environmental review in accordance with CEQA at the "earliest feasible time" prior to "approval" consistent with CEQA Guidelines Sections 15004 and 15352.

DOCUMENTS ATTACHED:

ATCH 1 - Resolution
Exhibit A - Napa EIFD Infrastructure Financing Plan
Appendix A - Napa EIFD Boundary Map
Appendix B - Legal Description
Appendix C - Tax Increment Analysis
Appendix D - Fiscal Impact Analysis
Appendix E - General Plan EIR

NOTIFICATION:

A mailer noticing the public hearing and including access to the draft IFP at www.cityofnapa.org/NapaEIFD has been sent to each property owner within the District, the PFA members, the Planning Commission, and the City Council. Including today's hearing, the PFA will conduct three public hearings to consider the IFP, with no less than 30 days between each hearing.