

City of Sacramento

Legislation Text

File #: 2019-01430, **Version:** 1

Title:

Approving the Infrastructure Financing Plan of the Stadium Area Enhanced Infrastructure Financing District (EIFD)

File ID: 2019-01430

Location: District 3

Recommendation:

Adopt a Resolution approving the *Sacramento Stadium Area EIFD Infrastructure Financing Plan*.

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Presenter: None

Attachments:

- 1-Description/Analysis
- 2-Schedule of Proceedings
- 3-Resolution Approving Infrastructure Financing Plan
- 4-Exhibit A - Sacramento Stadium Area EIFD Infrastructure Financing Plan

Description/Analysis

Issue Detail: On July 23, 2019, City Council adopted a Resolution of Intention (ROI) proposing to establish an EIFD for the Stadium Area of the Downtown Sacramento Railyards (Railyards) (Resolution No. 2019-0282). The formation of an EIFD to finance public infrastructure improvements was one element of the Sacramento Major League Soccer (MLS) Stadium Preliminary Term Sheet (Term Sheet) approved by City Council on April 9, 2019 (Resolution No. 2019-0112). The Term Sheet provides a framework for a public-private partnership for the construction and operation of a new multi-purpose stadium and investment in critical Railyards infrastructure.

Pursuant to the ROI, the Stadium Area EIFD Public Financing Authority (PFA) was established as the governing board of the EIFD. On September 24, 2019, the PFA ordered the preparation of an

Infrastructure Financing Plan (Plan) for the EIFD, the statutory requirements of which are 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).

In accordance with the EIFD Law, the Plan and supplemental environmental impact report (SEIR) for the Railyards Specific Plan Update, KP Medical Center, MLS Stadium and Stormwater Outfall were made available for public inspection on October 1, 2019. On that same day, the City Clerk distributed the Plan and SEIR to each affected taxing entity, each owner of land in the proposed EIFD, the PFA, the Planning and Design Commission, and the City Council. Both items were also made available for public inspection. This distribution was made at least 60 days in advance of the proposed PFA hearing date, which is scheduled for December 10, 2019. Also, in accordance with EIFD Law, City staff suggested certain technical revisions be made to the original Plan and those revisions are included therein.

The Plan is included as Exhibit A to the attached resolution and includes all items required by Section 53398.63 of the EIFD Law. A summary of the key requirements included in the Plan is provided below.

Map and Legal Description: The proposed EIFD consists of a 42-acre area within the Railyards that is anticipated to include a new stadium and ancillary development. An official map of the proposed boundaries and a legal description are provided in Attachments A and B of the Plan, respectively.

Public Facilities: The public facilities proposed to be financed through the EIFD are the same facilities outlined in both the Term Sheet and the ROI, and include roadway and sewer improvements, a new Regional Transit station, and a paseo. A list of the public improvements to be financed by the EIFD, along with a map showing their location, is provided in Attachment C of the Plan.

Finding of Communitywide Significance: The public facilities proposed to be financed through the EIFD are ones of communitywide significance and provide significant benefits to an area larger than just the EIFD. The public improvements include several roadway and transit facilities that will enhance pedestrian, bicycle, vehicular, and mass-transit access and circulation in the Railyards, while also providing similar benefits to the downtown core and River District and providing better connectivity between those areas and the Railyards.

Maximum Portion of Incremental Tax Revenue: The maximum portion of incremental property tax revenues, as discussed in Section 3 of the Plan, is 100 percent of the City's share of annual property tax increment from properties within the EIFD. However, as discussed in greater detail in the Plan, the City currently receives "pass-through" incremental property tax revenue from the former Railyards Redevelopment Project Area. The Plan estimates that these pass-through revenues will equal approximately \$353,000 in 2025 and approximately \$472,000 annually at buildout. As shown in the Plan, the incremental pass-through property tax revenue will continue to accrue to the City's General

Fund after the Railyards Redevelopment Project Area is terminated/dissolved.

Tax Revenue Projections: Tax revenues available to the EIFD will be based on the City's share of property tax revenue attributable to the growth in taxable assessed value in the EIFD. The Plan forecasts annual and cumulative revenues for the EIFD over a 50-year period based on a variety of development and valuation assumptions. These projections are discussed in detail in Chapter 3 and illustrated in Table 3-1 of the Plan.

Public Facilities Financing Plan: The EIFD is being formed to finance the identified public facilities up to their inflation-adjusted costs, less any amounts available from other publicly funded infrastructure grants for eligible facilities. Using tax revenues available to the EIFD, the facilities could be financed by direct funding, through repayment of a loan, by paying debt service for debt to be issued by the PFA for the EIFD, or any combination thereof. In any case, the actual amount financed will not exceed the amount necessary to fully fund the cost of facilities authorized by the EIFD.

Limit of Total Taxes Allocated to EIFD: The City is required by the EIFD law to define a limit on the total amount of tax revenue dollars that may be allocated to the EIFD. As stated in Section 3 of the Plan, this limit is \$143.0 million, which is equal to the total estimated cumulative revenue projected for the EIFD and as shown in Table 3-1 of the Plan. Although the limit establishes the maximum allocation possible, the City will not allocate more than is required to finance the cost of facilities and to pay for administration of the EIFD.

EIFD Termination Date: The specific date on which the EIFD will terminate is unknown at this time, however the EIFD Law states that the end date of the EIFD will be the earlier of: (a) 45 years from the date on which the issuance of bonds is approved, or (b) 45 years from the date the City approves a loan from the City to the EIFD. However, in any case the EIFD will cease to exist no later than June 30, 2070.

Cost of Providing Facilities and Services: The City does not anticipate incurring costs for providing facilities beyond the funding of facilities by the EIFD. As shown in Appendix C of Attachment E to the Plan, it is projected that at the end of the Initial Phase of development (through 2025), new development in the EIFD will generate about \$1.1 million (2018\$) of additional, annual municipal service costs to the City. At buildout, new development within the EIFD would generate approximately \$1.6 million (2018\$) in additional annual municipal service costs to the City. The fiscal impact analysis included in the Plan shows that projected revenues exceed these projected costs both during development and at buildout, resulting in a net fiscal surplus to the City in both cases. This fiscal impact analysis is discussed in more detail below.

Projected Fiscal Impact: A complete fiscal impact analysis is provided as Attachment E to the Plan, and the results of this analysis are summarized in Table 3-5 in Section 3 of the Plan. As shown in Table 3-5, it is projected that at buildout, the new development will generate a net fiscal surplus of

approximately \$425,000 annually (in 2018\$). In other words, revenues to the City's General Fund are greater than the General Fund costs to serve new development in the EIFD by approximately \$425,000 annually.

The fiscal impact analysis assumes that 100% of property tax increment generated by properties within the EIFD is allocated to the EIFD with the exception, as discussed previously, that the City will continue to retain the property tax pass-through revenue that it currently receives from the Railyards Redevelopment Project Area. These assumptions are illustrated in Table 3-6 in Section 3 of the Plan, where property tax revenue is shown as \$0 because it is allocated to the EIFD, but the pass-through property tax revenue is included as part of the total annual General Fund revenues.

Goals of the EIFD: The primary goal in financing the public facilities is to catalyze significant private investment and additional infrastructure, development of the project site and a Major League Soccer Stadium, and surrounding area development construction. The EIFD goals are further detailed in Chapter 2 of the Plan.

Other items required by the EIFD Law are included in the Plan but are not discussed in this summary as they are not applicable to the specific development and infrastructure improvements planned in the EIFD area.

Lastly, the ROI called for the PFA to hold a public hearing on November 12, 2019, to consider approval of the Plan and formation of the EIFD. Based on statutory limitations, that date can no longer be met and must instead be moved to December 10, 2019. The attached resolution will amend the ROI to account for this change.

Policy Considerations: Adoption of the attached resolution and approval of the Plan will signify the City's desire to use new incremental property tax revenue of the City that is directly derived from the stadium and other development within the proposed EIFD boundaries to finance the identified public infrastructure by direct funding, through repayment of a loan, by paying debt service for debt to be issued by the PFA for the EIFD, or any combination thereof. The City is the sole affected taxing entity of the EIFD, and only new incremental property tax revenue of the City will be used for this purpose.

Pursuant to the Section 53398.68 of the EIFD Law, City Council must approve the Plan prior to the PFA also approving the Plan and forming the EIFD. A summary of the key actions for establishing the EIFD, as well as estimated dates of completion, is provided in the Schedule of Proceedings (Attachment 2 to this report).

Economic Impacts: Not applicable.

Environmental Considerations:

California Environmental Quality Act (CEQA): The City certified an SEIR for the Railyards Specific Plan Update, KP Medical Center, MLS Stadium and Stormwater Outfall on November 10, 2016. (SCH No. 2006032058; Resolution No. 2016-0379). The SEIR evaluated the environmental effects of the Major League Soccer Stadium project and related public infrastructure. The physical changes that would be facilitated by the funding activities proposed have been evaluated in the SEIR. No further CEQA review by the City is required.

Sustainability: Not applicable.

Commission/Committee Action: None.

Rationale for Recommendation: Section 53398.68 of the EIFD Law states that a resolution approving the Plan must be adopted by the City Council prior to the PFA forming the EIFD. The recommended action satisfies this requirement.

Financial Considerations: As outlined in the Plan, the proposed EIFD's funding of infrastructure costs (whether directly on a pay-as-you-go basis or through a financing and the payment of related debt service) is limited to new incremental property tax revenue that is directly derived from the stadium and other development within the proposed EIFD boundaries.

As stated previously, the maximum amount of tax revenue dollars that may be allocated to the EIFD is \$143.0 million. The total amount funded will not exceed the actual inflation-adjusted cost of the infrastructure improvements (less any publicly funded infrastructure grants and in addition to all authorized administrative costs). The City has no additional financial obligation if the incremental property tax revenue generated is insufficient to cover the cost of the infrastructure improvements.

In addition, the pass-through incremental property tax revenue currently received by the City from the former Railyards Redevelopment Project Area will continue to accrue to the City's General Fund and is not directed to the EIFD.

Local Business Enterprise (LBE): Not applicable.