



SUMMARY REPORT

Agenda Date: 10/14/2025

To: Sonoma County Board of Supervisors

Department or Agency Name(s): County Executive Office

Staff Name and Phone Number: M. Christina Rivera and Christel Querijero, 707-565-2431

Vote Requirement: 4/5th

Supervisorial District(s): Countywide

Title:

West Sonoma County Enhanced Infrastructure Financing District (EIFD) Fiscal Impact Analysis

Recommended Action:

- A) Receive the West Sonoma County Enhanced Infrastructure Financing District (EIFD) Fiscal Impact Analysis (Attachment A) and provide direction to staff on next steps. ☐
- B) If the Board directs staff to take the next steps towards forming a West Sonoma County EIFD, the Board can:
 - i) Adopt a Resolution of Intention to Establish the West Sonoma County EIFD and Establishing the Public Financing Authority (Attachment B);
 - ii) Consider the percentage contribution of tax increment growth to the West Sonoma County EIFD;
 - iii) Authorize \$140,000 from District Formation Funds for EIFD consulting services to prepare a draft Infrastructure Financing Plan and procure land surveyor services; and
 - iv) Adopt a Budget Resolution Authorizing a Budgetary Adjustment to the Fiscal Year 2025-2026 Adopted Budget In The Amount Of \$140,000 For Consulting Services related to the Proposed West Sonoma County Enhanced Infrastructure Financing District (Attachment C) (4/5 vote)

Executive Summary:

An Enhanced Infrastructure Financing District is a type of special purpose financing district that utilizes a portion of incremental property tax revenues from new development and property value growth in a specifically defined area to finance public capital facilities or other specified projects of communitywide significance (e.g., infrastructure, public amenities).

This item is a continuation of the County's exploration of an unincorporated West Sonoma County (West County) Enhanced Infrastructure Financing District (EIFD). Staff most recently provided an update to the Board on this exploration on June 3, 2025 and the Board directed staff to return with the final fiscal impact analysis. This item includes the final fiscal impact analysis for the proposed EIFD, which is a required analysis under EIFD Law (California Government Code section 53398.50, et. seq).

If the Board directs staff to move forward with EIFD formation, it could today approve a Resolution of Intention to Form the West Sonoma County EIFD and Establishing the Public Financing Authority (Resolution)

as required by EIFD Law. If the Board approves the Resolution, it could also discuss and consider the percentage of tax increment that would be contributed to the proposed EIFD. If the Resolution is approved, staff requests \$140,000 from District Formation Funds to cover the next steps in the EIFD formation process, including the estimated cost of an EIFD consultant to prepare a draft Infrastructure Financing Plan, which is the governing document of the EIFD, to provide EIFD formation related services, and for the required land surveyor services.

Discussion:

Background of EIFD Law

Senate Bill 628 (2014) authorized the formation of Enhanced Infrastructure Financing Districts (EIFDs). EIFD legislation is codified in California Government Code section 53398.50, et. seq. (EIFD Law). EIFDs were created as a replacement for the former Redevelopment Agencies that were disbanded in 2012 due to state budget challenges. An EIFD is a type of special tax increment financing district that uses a portion of property tax increment (growth) revenues generated by the established 1% of assessed property value tax rate under Section 1 of Article XIII A of the California Constitution (Prop 13). The EIFD model relies on tax revenue increments generated by growth from within the boundaries of a proposed area, excluding from educational agencies. The tax increment growth is determined from the base year of the EIFD, which is the fiscal year in which the EIFD is formally established (Base Year). EIFDs do not impose new taxes or raise tax rates.

Background on West County EIFD Exploration

On January 23, 2024 <<https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=6484841&GUID=676D8C24-DB67-459F-A99E-E6CFA6AA8684>>, the Board approved a \$50,000 grant agreement with the City of Sebastopol (City) from District 5 Community Infrastructure Funds for the City to engage a consultant to evaluate the feasibility of an EIFD that encompasses both the City and unincorporated West County. On February 11, 2025 <<https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=7129386&GUID=1433730C-1F0B-4AC2-BFD9-D6122B7CD7A0>>, the Board received an update on initial City/County EIFD discussions, and approved \$7,500 from District Formation Funds for the City's consultant, Kosmont Companies (Kosmont), to develop a West Sonoma County EIFD fiscal impact analysis.

The February 11 update included Kosmont's finding that the potential for a solely unincorporated West Sonoma County EIFD that only focused on specific development opportunity site areas in the unincorporated West County area would not generate significant funding capacity to justify the County's time and effort to form an EIFD. In order to generate sufficient funding capacity in the unincorporated County area, Kosmont found that a much larger boundary would be necessary to generate material funding capacity. Since then, Kosmont worked with District 5 and CEO staff to consider alternate boundaries and the one proposed in the fiscal impact analysis.

A preliminary list of projects was also shared including projects based on community input received when Kosmont presented an EIFD overview to a joint meeting of the West County Municipal Advisory Committees.

On June 3, 2025 <<https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=7412794&GUID=B3A1CD8A-01F3-44D1-9D46-C88FD584D972>>, the Board received Kosmont's preliminary West County EIFD feasibility analysis and directed staff to return to the Board with the final analysis. Following the June 3, 2025 presentation to the Board, County staff met with City Councilmembers and staff to follow up on discussions

related to the City/County EIFD. County staff were informed that further exploration of a City/County EIFD is currently on hold and is separate from this item. The Interim City Manager, with support from two Councilmembers, agreed to pause on further City/County EIFD exploration to address higher priority items for the City until more staff capacity is available to support the effort.

West County EIFD Fiscal Impact Analysis (Analysis)

Today's item includes Kosmont's final Analysis (Attachment A) and an accompanying memo (Attachment B) summarizing impacts to the County General Fund, key findings, assumptions, and potential next steps and timelines. Key findings from Kosmont's Analysis are excerpted here:

- The Analysis considers a draft West County EIFD boundary that encompasses the primary population centers in unincorporated West County, such as Guerneville, Forestville, Graton, Sea Ranch, and other communities in a non-contiguous fashion, totaling approximately 15,700 in population over approximately 53,000 acres. The area includes approximately \$4.0 billion in existing assessed value, or approximately 3.5% of the total existing assessed value within the County.
- The Analysis finds that an allocation percentage of 20% to 25% of the County's share of property tax growth (not including property tax in lieu of motor vehicle license fees) can support a positive impact on the County General Fund on the order of \$26 million over a 50-year district lifetime. The net positive impact is largely predicated on the ability to catalyze revenue-generating land uses within the EIFD boundary, such as hospitality investment, which generates transient occupancy tax (TOT) for the County.
- The Analysis illustrates that allocations of property tax increment greater than 25% would represent a relatively high level of General Fund risk exposure, while allocations less than 20% yield an EIFD funding capacity that may not be material enough to fund meaningful infrastructure improvements (e.g., less than \$5 million in funding capacity within 5-10 years after district formation) and warrant the administrative cost involved in forming and administering a new financing vehicle in the EIFD.
 - A 20% allocation would result in an estimated \$51,193 of increment being redirected from the County's General Fund to the EIFD in the starting year.
 - A 25% allocation would result in an estimated \$63,991 in increment being redirected from the County's General Fund to the EFD in the starting year.
- The Analysis is based on many assumptions, some of which can materially affect the key conclusions:
 - a) Long term average escalation of General Fund revenue and expenditure line items is assumed to be 3.0% in the baseline Analysis.
 - b) The Analysis makes conservative assumptions on new development based on actual private sector proposals and interest as of July 2025, rather than speculating based on zoning and land use guidance over the longer term.
 - c) Aside from property tax and sales tax from new development, hotel TOT is a major potential revenue source for the County General Fund. Over 90% of the positive net fiscal impact for the County General Fund is attributable to TOT revenue from potential future hospitality development; however, this analysis does not consider the allocations from the 12% TOT pursuant to the County's TOT Policy. If this analysis were to net out distributions from the TOT to non-General Fund

programs, the total present-value benefit to the General Fund would decrease from \$26 million to approximately \$7 million. To the extent hospitality projects can be supported or catalyzed or accelerated via infrastructure investment using the EIFD, this would improve the positive impact to the General Fund.

- d) If EIFD funding is targeted for eligible infrastructure improvements that catalyze new private sector investments that would otherwise not occur at all or not as quickly *without* the infrastructure improvements, the EIFD would improve the General Fund “return on investment”. The Analysis thus suggests that the EIFD Infrastructure Financing Plan should prioritize such catalytic infrastructure investments from a fiscal impact perspective.

Other Key Factors for a West County EIFD

The proposed boundary of the West Sonoma County EIFD includes the former redevelopment area (RDA) of the Lower Russian River, which has legal, fiscal, and administrative implications. Tax increment from the RDA cannot be contributed to the EIFD until all former redevelopment obligations are paid off and any legal or financial issues are resolved. The County has two other RDAs, Roseland and Sonoma Springs, and because the County’s RDAs are merged together, none of the RDAs can be dissolved until the last County RDA debt obligation is fully paid, which will occur in August, 2034. The County could decide to contribute the “net available revenue” from within the RDAs to the EIFD, which is a defined term in EIFD law and broadly means the periodic distributions to the County from the Redevelopment Property Tax Trust Fund that is available to the County after all preexisting legal commitments and statutory obligations funded from that revenue. Including a RDA within the EIFD boundary generally requires more complex tax increment data management and tracking to ensure that incremental revenue is first allocated to pay off enforceable obligations before any funds can flow to the EIFD, increasing administration costs. However, for the RDA in the proposed EIFD, expected tax growth is not expected to contribute significant funding capacity.

Next Steps

If the Board wishes to take the next steps to form the West County EIFD, it could do the following today:

- Adopt the Resolution of Intention to Establish the West Sonoma County EIFD and Establishing the Public Financing Authority;
- Consider the percentage contribution of tax increment growth to the West County EIFD;
- Authorize \$140,000 from District Formation Funds for EIFD consulting services to prepare a draft Infrastructure Financing Plan and procure land surveyor services \$50,000 would be for an EIFD consultant to prepare a Draft Infrastructure Financing Plan and support the formation process. \$90,000 would be for a land surveyor to conduct research to prepare a legal description of the proposed West County EIFD and a plat, a detailed, scaled legal map that shows the precise boundaries, dimensions, and features of the EIFD.
- Adopt a Budget Resolution to appropriate the requested \$140,000 from the District Formation Fund for consulting services related to the proposed West County EIFD. (Attachment C)

If the Board approves the actions above, a possible timeline for EIFD formation that establishes fiscal year 2025-2026 as the Base Year is shown in the table below.

Timeframe	Activities
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October 2025	a) Board of Supervisors adopts a Resolution of Intention (ROI) and formally establishes Public Financing Authority (PFA) entity
Nov 2025 Jan 2026	b) Procurement of necessary consultants for EIFD formation c) Appointment of three (3) Supervisors and two (2) members of the public to the PFA
February 2026	d) PFA meets to direct the drafting of the Infrastructure Financing Plan (IFP)
March 2026	e) Distribution of the draft IFP to property owners, residents, affected taxing entities, Board of Supervisors
April 2026	f) Preview of draft IFP with Board of Supervisors
May 2026	g) PFA holds an initial public meeting to present the draft IFP to residents, property owners, general public (no action taken)
June 2026	h) Board of Supervisors considers a resolution approving IFP and County allocation of property tax increment to IFP
July 2026	i) PFA holds first public hearing to hear additional comments and takes action to modify or reject IFP
August 2026	j) PFA holds second public hearing to consider oral and written protests and takes action to terminate proceedings or adopt IFP and formally establish the EIFD by resolution

Note: The Base Year of an EIFD is the year the district is established and that sets the starting point for measuring property tax growth. Property tax revenues from increases in assessed value above the base year level-known as “tax increment”-can be used to fund eligible projects within the district.

Staff Recommendation

While the fiscal impact analysis shows a positive net benefit to the General Fund starting in Year 2, this benefit is largely predicated on the EIFD’s ability to catalyze a level of private sector investment in revenue-generating uses (e.g., hotels) that would otherwise not occur but for the EIFD investment in critical infrastructure. Given the level of EIFD funding capacity projected to be generated within the first 5-10 years of the EIFD lifespan, it is unclear whether the EIFD will be able to fund such a significant amount of catalytic infrastructure.

The uncertain level of General Fund net benefit may not be worth the risk of encumbering otherwise unrestricted General Fund revenues in current budget circumstances. In the first 5-10 years, between \$800,000 and \$3.8 million would be allocated to this EIFD in the targeted 20% to 25% allocations scenarios. If the County were to move forward today with taking the next steps to establish the West County EIFD, it could at a later time decide to abandon the EIFD proceedings prior to the EIFD being fully established, or, if after EIFD establishment, could decide to dissolve the EIFD, up until such time as EIFD dollars are committed to debt payments, whether through bond debt service or pledged as reimbursement to a private sector partner. In the scenario of EIFD dissolution, any or all dollars that are not pledged to bond debt service or pledged as reimbursement to a private sector partner could be redistributed to the County General Fund (between years 5 and 10). However, it is reasonable to expect that the EIFD would have incurred some costs, such as annual administration up to that point, which would not be recovered.

It is also worth noting that the County is already contributing 25% of its tax increment to the Santa Rosa

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Downtown EIFD, which has been fully established.

Strategic Plan:

N/A

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

[January 23, 2024 <https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=6484841&GUID=676D8C24-DB67-459F-A99E-E6CFA6AA8684>](https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=6484841&GUID=676D8C24-DB67-459F-A99E-E6CFA6AA8684) - Board approved a \$50,000 grant agreement with the City of Sebastopol (Sebastopol) from District 5 Community Infrastructure Funds for Sebastopol to engage a consultant to evaluate the feasibility of an EIFD that encompasses both the City and unincorporated West County.

[February 11, 2025 <https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=7129386&GUID=1433730C-1F0B-4AC2-BFD9-D6122B7CD7A0>](https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=7129386&GUID=1433730C-1F0B-4AC2-BFD9-D6122B7CD7A0) - Board received an update on City of Sebastopol/County Enhanced Infrastructure Financing District (EIFD) discussions and approved \$7,500 from District Formation Funds for the consulting services to develop a West County EIFD fiscal impact analysis.

[June 3, 2025 <https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=7412794&GUID=B3A1CD8A-01F3-44D1-9D46-C88FD584D972>](https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=7412794&GUID=B3A1CD8A-01F3-44D1-9D46-C88FD584D972) - Board received Kosmont's preliminary West County feasibility analysis and directed staff to return to the Board with the final analysis.

FISCAL SUMMARY

Expenditures	FY25-26 Adopted	FY26-27 Projected	FY27-28 Projected
Budgeted Expenses			
Additional Appropriation Requested (District Formation Funds)	\$140,000		
Total Expenditures	\$140,000		
Funding Sources			
General Fund - District Formation Funds	\$140,000		
State/Federal			
Fees/Other			
Use of Fund Balance			
General Fund Contingencies			
Total Sources	\$140,000		

Narrative Explanation of Fiscal Impacts:

If the Board approves the Resolution of Intention to establish the West County EIFD and a tax increment growth contribution, funding for EIFD formation is needed. Formation costs, excluding staff time, are estimated at \$140,000: \$50,000 for an EIFD consultant to prepare a Draft Infrastructure Financing Plan and support the formation process and \$90,000 for a land surveyor to complete research to prepare a legal

description of the district and a plat, a detailed, scaled legal map that shows the precise boundaries, dimensions, and features of the EIFD. \$140,000 is requested from District Formation Funds; \$764,421.98 remains as the balance available for other projects.

A General Fund fiscal impact will be realized if the Board approves the IFP and the West County EIFD is formally established. Based on the potential timeline above, FY 2025-26 would be the Base Year and impacts would be experienced beginning in FY 2026-27.

Kosmont estimates that following EIFD formation, it would be expected that staff in the County Executive, Auditor-Controller-Treasurer-Tax Collector, County Counsel, and District 5 would have ongoing administrative and reporting responsibilities associated with the EIFD. In Kosmont's experience, ongoing administrative costs range from \$25,000 to \$50,000 annually in the early years of an EIFD (i.e., years 1-5), increasing to a range of \$75,000 to \$125,000 annually in later years (i.e., year 6 and beyond), as revenues grow and there is greater activity related to project funding, potential debt issuance, and related auditing requirements.

The one-time estimated costs to implement and maintain the EIFD are listed in the table below.

	One-time	Cost
1	Exploration and Feasibility Study (estimated 50% of the initial contract)	\$25,000
2	Fiscal Impact Analysis	\$7,500
3	Economic analysis/Infrastructure Financing Plan/Jurisdictional boundary change process	\$50,000
4	Land Surveyor Services	\$90,000
5	Staffing the Public Financing Authority (District 5 staff, County Counsel, CEO staff)	\$6,000
	Total	\$178,500

One-time costs could be reimbursed by the EIFD but would delay the accumulation of property tax increment growth set aside for the EIFD. (A 20% allocation would result in an estimated \$51,193 in the first year.)

	Ongoing	Cost
1	Administrative costs, Years 1-5	\$25,000 - \$50,000
2	Administrative Costs, Years 6 and beyond	\$75,000 - \$125,000
	Range	\$100,000 - \$175,000

Staffing Impacts:

Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)
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Narrative Explanation of Staffing Impacts (If Required):

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None

Attachments:

- A. Kosmont Memo re West County EIFD and Fiscal Impact Analysis
- B. Resolution of Intention to Establish the West Sonoma County Enhanced Infrastructure Financing District and Establishing the Public Financing Authority
- C. Budget Resolution
- D. Presentation

Related Items “On File” with the Clerk of the Board:

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