

Appendix E:
**Facilities Financing
Options**

Introduction

The Stockton Boulevard Specific Plan (Project) establishes a long-term vision and strategy for redeveloping and transforming Stockton Boulevard into a thriving corridor with equitable outcomes for existing residents and businesses.

This chapter provides an overview of identified Facility improvements necessary to serve projected growth in the Specific Plan Area. In addition, this chapter identifies the estimated cost of Facility improvements and describes both existing and potential new funding sources that may be used to fund Facility improvements.

Specific Plan Area Land Uses

The Specific Plan Area comprises approximately 420 acres (424 parcels), with about 280 acres of commercially zoned property along a 4.8-mile segment of Stockton Boulevard in the City, spanning from Alhambra Boulevard to the north to the City's southern boundary to the south. The Specific Plan Area is estimated to include 60 vacant parcels totaling almost 49 acres, or 14 percent of the total acreage.

There are 6 development Pipeline projects located in the Specific Plan Area and an additional 33 proposed Opportunity Sites that have been identified as being likely to redevelop. Among these Pipeline Projects and Opportunity Sites, the Specific Plan Area is anticipated to accommodate an additional 4,077 residential dwelling units, ranging in density between 18.5 and 95 dwelling units per acre, and up to 372,115 square feet of commercial uses. For an explanation of these land uses, refer to Chapter 2 Land Use and Community Character.

Development of the Specific Plan Area is expected to proceed irregularly and on a project-by-project basis as individual development projects move forward with development plans. There may be variations from this land use program as development actually occurs. As such, land uses, and associated infrastructure needs, may require periodic review.

Facilities Definitions

The term "Backbone Infrastructure" often is used to describe all publicly owned facilities. This chapter uses the following definitions to define these items more precisely:

- **Backbone Infrastructure** includes most of the essential public service-based infrastructure including roadways and improvements underneath public roadways (such as storm drainage, sanitary sewer, and water facilities). Backbone Infrastructure is sized to serve numerous individual development projects and, in some cases, serves adjacent development areas. The definition of Backbone Infrastructure excludes infrastructure improvements necessary to serve individual project sites; these improvements are typically funded privately by project developers.
- **Public Facilities** include amenities to the Project (e.g., parks) or house employees and equipment providing services to the area (e.g., police and fire facilities).
- **Facilities** generically refers to Backbone Infrastructure and Public Facilities when a precise breakdown is not required.

Facilities Funding Principles

To achieve the goal of ensuring the public infrastructure in the Specific Plan Area will be funded and delivered in time to meet Specific Plan Area needs, the City has established the following funding principles to guide a future Financing Strategy for funding Facilities:

1. A Funding Strategy will provide the framework to ensure all backbone infrastructure and public facilities necessary for public health, safety, and welfare are constructed in accordance with the City's development standards in a timely manner to support development in the Specific Plan Area.
2. A Funding Strategy will identify the specific maintenance services required in the Specific Plan Area and identify appropriate funding sources, both existing and proposed.
3. New development will fund the proportionate share of Facility improvements traditionally funded in new development projects and carried costs exceeding respective fair shares will be subject to various credit and reimbursement mechanisms.
4. Developers may be required to advance fund or construct significant portions of Facility improvements exceeding their proportionate share. Such developers may seek private financing necessary to carry such improvement costs to the extent public financing is not available and to fund the developers' own share of such costs.
5. Because it is impossible to precisely predict the manner in which development of the Specific Plan Area will unfold, absorption of the projected land uses, and therefore the timing of improvement requirements, the various components of a Funding Strategy may require regular updates to reflect changes in land use and improvement assumptions.
6. The City may, in accordance with prudent fiscal judgment, provide tax-exempt municipal financing to defray financing costs for public facilities. Any public debt issued by the City must meet all City debt policies and not adversely affect the City's credit rating.
7. The actions contemplated herein by the City are subject to the legislative discretion of the City at the time of approval and must be in compliance with all applicable laws and regulations.

Specific Plan Area Facilities

The Specific Plan Area contains a variety of existing and planned future Backbone Infrastructure, including roads, sewer, storm drainage, water, dry utilities, and various other Public Facilities. [Table E-1](#) provides a preliminary summary of these Facilities and the responsible agencies.

Table E-1. Summary of Specific Plan Area Facilities and Service Providers

Public Facility/Service	Service Provider
Backbone Infrastructure	
Roadways	City of Sacramento
Wastewater and Storm Drainage	City of Sacramento Regional County Sanitation District Sacramento Area Sewer District
Water	City of Sacramento
Dry Utilities: Natural Gas	Pacific Gas & Electric
Dry Utilities: Electricity	Sacramento Municipal Utility District
Dry Utilities: Telecommunications	AT&T; Comcast; City of Sacramento
Public Facilities	
Parks and Open Space	City of Sacramento
Law Enforcement	City of Sacramento Police Department
Fire Protection	City of Sacramento Fire Department
Library	Sacramento Public Library Authority
Schools	Sacramento City Unified School District
Transit	Regional Transit (RT)

Backbone Infrastructure

Utilities

A preliminary planning-level assessment of utility infrastructure in the Specific Plan Area evaluated whether the Specific Plan Area contained any known infrastructure deficiencies and offered recommended system improvements based on the level of projected growth in the Specific Plan Area. The utility infrastructure assessment evaluated the following Backbone Infrastructure:

- Wastewater and storm drainage facilities.
- Water facilities.
- Dry utilities (natural gas, electrical, and telecommunications).

Based on an assessment of utility infrastructure in the Specific Plan Area, the area is generally well-served by existing Backbone Infrastructure. At this time, projected new development in the Specific Plan Area will require minimal, new Backbone Infrastructure improvements. A summary of existing conditions and recommended system improvements is described in [Appendix D](#).

Transportation

The City recently completed a Corridor Study to establish a vision, set of improvements, and preliminary costs related to transportation investments along Stockton Boulevard. The City approved the Stockton Boulevard Corridor Plan in September 2021, which includes improvements to safety, mobility, and the community as identified in [Table 2-5](#) and described in more detail in the Stockton Boulevard Corridor Plan ([Appendix F](#)).

Public Facilities

Parks

The City has identified park improvements for the Specific Plan Area, as described below:

- **21st Avenue Median.** The City is leading a master plan process and engaging with the community in ongoing discussions related to the planning and analysis of converting the 21st Avenue median into a recreational amenity.
- **Lawrence Park.** The City's Park CIP includes renovations to Lawrence Park, including a shade canopy over the playground, new access pathway through the park for ADA accessibility, additional picnic stations, outdoor seating, 35 new trees, and volleyball courts, table tennis, and corn hole.

The City may identify additional parks and open space improvements to serve Specific Plan Area residents.

Other Public Facilities

Through subsequent implementation steps, the City may identify other Public Facilities, including police, fire, transit, and library facilities, needed to serve Specific Plan Area residents.

Summary of Estimated Planning-Level Facility Costs

Utilities

Cost estimates for improvements with an identified funding source (i.e., development impact fee program revenue) have been identified as part of the City's CIP or will be prepared by the City or a licensed civil engineer.

Unfunded water improvements identified to serve projected development in the Specific Plan Area are estimated to be **\$556,000** (2022 dollars) and include a 25 percent cost contingency on all improvements. The improvements and costs described in this study are based on a preliminary

¹ Original Corridor Study cost estimates of \$81.1 million, escalated to current dollars using the California State Department of General Services California Construction Cost Index percentage change from December 2020 to December 2021. Original cost estimate prepared by Nelson\Nygaard, November 2020.

planning-level utilities assessment, prepared by NV5 (February 2022). These unfunded improvements will require a new funding source from the options listed later in this chapter.

Transportation

As described in the City Corridor Study, transportation improvements are estimated to be **\$92.0 million** (2020 dollar cost estimates, escalated to 2022 dollars) and include a 35 percent cost contingency on all improvements.¹

Corridor Study improvements will rely on State and federal grants to implement, although competition is strong, and grants require matching local funds. Typical awards for corridor improvements range from \$3 million to \$9 million, depending on the administering agency. When the grant programs become available, the City identifies a segment for which to request funding based on the program and its typical award amounts. If successful in receiving grant awards, it can take between 4 and 7 years to perform the design, environmental clearance, and right of way and be ready for construction.

Public Facilities

Cost estimates for needed Public Facilities in the Specific Plan Area have been identified as part of the City's CIP or will be prepared by the City or a licensed civil engineer.

Facilities Funding Options

The funding of needed Facilities will rely on a combination of private and public sources. Most improvements identified in the utility assessment prepared for the Specific Plan Area are site-specific and will be the funding responsibility of the developer moving forward with a development project. Other funding may be available from the City or other public sources to defray these improvement costs, although no sources have been identified at this time.

There are improvements that are not anticipated to be funded through private development but rather through public sources (i.e., City, State, and federal sources) or other sources to be determined. These include the water and transportation improvements described previously.

An overview of available funding sources to fund Specific Plan Area Facilities is provided below:

- **Specific Plan Area Developer Funding.** Funding and financing sources originating from private development in the Specific Plan Area include the following subcategories: developer funding via payment of existing development impact fees and private developer funding.
- **Local Funding.** This category includes funding sources that are under the control of the City and may include City development impact fee programs to the extent that fee payments generated by development outside the Specific Plan Area are available to fund related Facilities. The City may consider other funding options, including the formation of a land-secured financing district, an Enhanced Infrastructure Financing District (EIFD), or other source.
- **Regional, State, and Federal Funding.** Funding sources, such as grants or loans, from State, federal, or other agencies to which the City may have to apply.

Specific Plan Area Developer Funding

Existing Development Impact Fee Programs and Charges

Private development projects in the Specific Plan Area will be subject to applicable City and Other Agency development impact fees in place at the time of acceptance of the building permit application. Revenues generated through existing fee programs may be available to directly fund Backbone Infrastructure and Public Facilities identified for the Specific Plan Area, to the extent improvements have been or will be identified in CIPs. Existing City and other agency fee programs are described in [Table E-2](#).²

Development projects in the Specific Plan Area with new affordable dwelling units may qualify for reduced or a \$0 rate for City impact fees, including water, CSS, park, and housing impact fees. In addition, accessory dwelling units (ADUs) are not subject to the City's housing impact fee, and smaller ADUs (<750 square feet) are not subject to any impact fees. While development impact fees are necessary to support public infrastructure, payment of development impact fees may constitute a barrier for the construction of affordable housing and ADUs.³

² City building permit and other processing fees are excluded from this list.

³ City of Sacramento, Reduction of Development Impact Fees for New Affordable Dwelling Units. <https://www.cityofsacramento.org/Community-Development/Resources/Reduction-of-Development-Impact-Fees-for-New-Affordable-Dwelling-Units>. Accessed March 2022.

Table E-2. Summary of Existing City and Other Agency Fee Programs Applicable to Specific Plan Area Development

City Fees	Other Agency Fees
Transportation Development Impact Fee (TDIF)	Sacramento City Unified School District (SCUSD) School Mitigation Fee
CSS Development Impact Fee	Sacramento Area Flood Control Agency (SAFCA) Development Impact Fee
Water Development Fee	SASD Sewer Impact Fee
Park Impact Fee (PIF)	Regional San Impact Fee
Standard PIF (For Neighborhood/ Community Park Development)	Sacramento Transportation Authority (STA) Measure A Fee
<ul style="list-style-type: none"> Citywide PIF (For citywide-serving parks, including regional parks, community centers, and aquatic centers) 	
<ul style="list-style-type: none"> Housing Impact Fee/Housing Trust Fund Fee 	

Private Financing, Agreements, and Partnerships

Developers commonly fund infrastructure requirements privately. Private funding includes capital provided by private developers through debt financing, equity, or a combination of both. In some cases, area-serving infrastructure (not fully the responsibility of a particular developer) can be privately financed. These cooperative arrangements are typically structured in development agreements or reimbursement agreements. This upfront infrastructure development may be fully or partially refunded, using subsequently collected development impact fees, special tax bond proceeds, or other city funding sources. These arrangements tend to be available during times of strong market performance. In weaker markets or locales, it may be difficult to obtain such private financing.

Local Funding

General Obligation Bond

A general obligation (GO) bond is a type of municipal bond that is secured by a state or local government’s pledge to use legally available resources, most typically including property tax revenues, to repay bond holders. GO bonds are restricted to defined capital improvements.

Creation of general obligation bonds requires two-thirds voter approval if the issuance is for non-educational purposes.

The incidence of burden of general obligation bonds is upon all property owners in the issuing jurisdiction proportional to the value of their property. Because property owners are usually reluctant to risk losses because of unpaid property tax bills, credit rating agencies often consider a GO pledge to have very strong credit quality and frequently assign them investment grade ratings. If local property owners do not pay their property taxes on time in any given year, a government entity is required to increase its property tax rate by as much as is legally allowable in a following year to make up for delinquencies. In the interim between the taxpayer delinquency and the higher property tax rate in the following year, the GO pledge requires the local government to pay debt service coming due with its available resources. In California, cities must secure a two-thirds voter approval to issue GO bonds.

Economic Considerations

General obligation bonds allow public entities to finance at a low fixed rate over the useful life of the asset. However, general obligation bonds are limited to capital improvement expenditures

and also are limited in their use to the precise purposes outlined in the authorizing ballot measure. General obligation bonds are commonly restricted to particular capital uses (e.g., street improvements, drainage improvements, parks and recreation).

Revenue Bond

Revenue bonds are payable solely from net or gross non-ad valorem tax revenues derived from General Fund revenues, tax increment revenues, rates or tolls, fees or charges, or rents paid by users of the facility constructed with the proceeds of the bond issue. However, it should be noted that governments typically pay higher rates when they borrow through revenue bonds rather than GO bonds.

Economic Considerations

Revenue bonds are limited to enterprise-related expenditures and to the precise purposes outlined in the authorizing bond instrument. Revenue bonds also are limited by the rate base, as utility rates must conform to Constitutional and statutory requirements (e.g., Proposition 218).

New Sales Tax Measure

Under California Sales and Use Tax Law, State and local sales taxes are imposed on retailers—and typically passed along to the consumer—for the privilege of selling tangible personal property in the State. The authority to levy local sales taxes was established through the Bradley-Burns Uniform Sales and Use Tax Law (Bradley-Burns) passed by the State legislature in 1955 (taking effect January 1, 1956).⁴ The Bradley-Burns law created a uniform local sales tax rate of 1.25 percent among cities and counties choosing to levy the tax and required that sales taxes be collected by the State and distributed on a situs basis. As of January 2022, the State imposes a combined State and local sales tax rate of 7.25

⁴ For statutory provisions regarding the Bradley-Burns Uniform Local Sales and Use Tax Law, refer to Revenue and Taxation Code §7200 et seq.; for the provisions regarding State sales and use taxes, refer to Revenue and Taxation Code §6001 et seq.

percent and allows municipalities and districts to assess an additional local tax rate of up to 3.0 percent (for a total tax rate of 10.25 percent).

The City's sales tax rate is 8.75 percent. The City may consider a citywide sales tax rate increase (typically 0.25 to 0.50 percent) to fund Project-specific infrastructure. Because the sales tax revenues would be used to fund a specific project, this would be considered a special tax and would require two-thirds voter approval. If a sales tax measure is approved, funding can be used to fund infrastructure using a "pay-as-you-go" approach, as a source of reimbursement, or to support a municipal bond issuance.

Economic Considerations

Use of various general fund sources to support infrastructure investments including repair and replacement of existing infrastructure, as well infrastructure that serves new development, requires little additional administrative effort and is typically secure given the broad range of revenue sources pledged to the financing. However, the use of existing General Fund revenue is limited by current demands to support ongoing operations.

The incidence of burden falls to those paying the taxes or rates. That is, sales taxes are paid by residents, businesses, employees, and visitors. The rationale for this payer burden is that these residents, businesses, employees, and visitors will benefit from the investments made in infrastructure and development.

Parcel Tax

Parcel taxes are a form of property tax, which must be paid by the owners of parcels of real estate. However, unlike standard property taxes, which are based on the value of the property, a parcel tax is an assessment based on the characteristics of the parcel. Taxing districts have created assessments that range from flat amounts per parcel to assessments based on parcel lot square

footage or building square foot. Some taxing districts have assessed residential parcels using one method and nonresidential parcels using another method.

Based on Proposition 218 (approved by State voters in 1996), local taxing districts can levy this type of non-ad valorem tax if a super majority of two-thirds of the voters approve.⁵ If a parcel tax is approved, a GO bond could be issued against the future revenue stream to generate upfront funding.

Economic Considerations

Parcel taxes (and special taxes) create an opportunity for voters to decide to pay for municipal services or facilities that they deem important. With a broad funding base and strict allocation rules, the taxpayers can assure that funding will be used as intended. However, parcel taxes (and special taxes) are limited to the purposes for which they were approved. They also are commonly subject to a “sunset” date, and must be re-authorized periodically to maintain funding.

Capitalizing Leases (Certificates of Participation)

Capitalizing leases, most commonly Certificates of Participation (COP), are typically used by government agencies for construction or improvement of public facilities. By use of a lease-type repayment structure, the monies needed to fund these building projects do not (by California State law) constitute public debt and do not require voter approval. Usually, a public entity enters into a tax-exempt lease-purchase with a lessor and the lessor provides the agreed-on public facility. As new financing needs emerge and market conditions change, government agencies often find that their leasing powers provide more expedient access to the capital markets than the more restricted powers to incur debt.

Economic Considerations

Cities can use capitalizing leases to provide upfront funding for projects needed to facilitate economic development, for example providing

“bridge” financing for an infrastructure project, through the issuance of tax-exempt bonds. However, the arrangement present in COPs between a public entity and a lessor is complex and issuance costs are higher than those for general obligation bonds.

Land-Secured Funding and Financing

There is a long history in California and elsewhere in the United States of using land-secured financing methods to fund local infrastructure or provide services that benefit a particular area (ranging from an entire jurisdiction to subareas of all sizes), including special benefit assessment districts and Mello-Roos Community Facilities Districts (CFDs).

Special Benefit Assessment Districts

Special benefit assessment districts are a way of creating a property-based assessment on properties that benefit from a specific public improvement. The formation of assessment districts requires majority approval of the affected property owners. Benefit assessments can fund a wide range of infrastructure improvements as long as a direct and measurable benefit can be identified for the benefitting properties. There are numerous forms of special benefit assessments in the California statutes, including the Municipal Improvement Act of 1913, Lighting and Landscape Maintenance Districts, and others. In 1996, Proposition 218 effectively eliminated the use of Assessment Districts in California by limiting the methods by which local governments may exact revenues from taxpayers without their consent. In addition, recent court rulings (*Silicon Valley Taxpayers’ Assn., Inc. v. Santa Clara County Open Space Authority*, 44 Cal. 4th 431 (Cal. 2008)) have tightened the requirements for demonstration of “special benefit,” thus further reducing the flexibility and utility of assessment districts. Most recent land-secured financings have been Mello-Roos CFDs.

Mello-Roos Community Facilities Districts

⁵ A non-ad valorem tax is one that is not based on the value of the property that is being taxed.

The Mello-Roos Community Facilities Act of 1982 (authorized by Section 53311 et seq. of the Government Code) enables the formation of a CFD by local agencies with two-thirds voter approval (or landowner approval when there are fewer than 12 registered voters in the proposed district) for the purpose of imposing special taxes on property owners. The resulting special tax revenue can be used to fund capital costs or operations and maintenance expenses directly, or they may be used to secure a bond issuance, the proceeds of which are used to fund capital costs. Because the levy is a tax rather than an assessment, the standard for demonstrating the benefit received is lower, thus creating more flexibility. CFDs have become the most common form of land-secured financing in California.

As special taxes and tax overrides approach or exceed ½ percent of assessed value annually, on top of the basic 1 percent property tax rate, there is a heightened risk of value impacts shifting to home and land prices (which offsets benefits associated with the additional special taxes). Cities using CFDs often adopt policies that regulate how they are used and the various limits and considerations to be applied in creating CFDs.

Economic Considerations

Land-secured financing provides a well-established method of securing relatively low-cost tax exempt, long-term, fixed rate, fully-assumable debt financing. However, there can be challenges associated with establishing measurable and specific benefits to particular properties. In addition, land-secured financing adds financing costs (e.g., cost of issuance and program administration). Further, the financing capacity of a district may be limited in early phases of development and it may be necessary to rely on other sources of infrastructure funding during initial years. Finally, while land-secured financing has been widely used in greenfield development where landowner approval is the norm, achieving a two-thirds voter approval in infill areas typically can be a barrier to use of the tool.

Enhanced Infrastructure Financing Districts

Senate Bill 628 (2014) created the ability for jurisdictions to form Enhanced Infrastructure Financing Districts (EIFDs), and it is the most used form of tax increment financing (TIF) in California. The EIFD bill expanded the scope of eligible uses of funds considerably and lowered the voter/landowner threshold to pass a bond from two-thirds to 55 percent. More recently, legislation streamlined the process for issuing bonds by removing the 55 percent vote initially required of EIFDs (Assembly Bill 116 (2019)). Other legislative amendments have improved EIFDs, including Assembly Bill 733 (2017), which allows EIFDs to fund climate change adaptation projects, and Senate Bill 1145 (2018), which allows EIFDs to fund infrastructure maintenance costs.

EIFDs may be initiated by any affected taxing authority, including a city, a county, or a special district, and are governed by an Infrastructure Financing Plan (IFP). Taxing authorities can devote a portion of their share of property taxes, as well as property tax received in lieu of vehicle license fees (VLF). EIFDs may be used for the purchase, construction, or improvement of any real property with a useful life of at least 15 years inside or outside the district. Eligible uses of EIFD funding must be public capital facilities or other specified projects of “communitywide significance” that provide significant benefits to the district or the surrounding community. These are some examples of allowable projects:

- Highways, interchanges, ramps and bridges, arterial streets, parking facilities, and transit facilities.
- Sewage treatment and water reclamation plants and interceptor pipes.
- Facilities for the collection and treatment of water for urban uses.
- Flood control levees and dams, retention basins, and drainage channels.
- Childcare facilities, libraries, parks, recreational facilities, and open space.

- Facilities for the transfer and disposal of solid waste, including transfer stations and vehicles.
- Brownfield restoration and other environmental mitigation.
- Acquisition, construction, or rehabilitation of housing for persons of low and moderate income.
- Acquisition, construction, or repair of industrial structures for private use.

In 2018, the State passed amending legislation to also allow ongoing maintenance costs to be funded with EIFDs. Senate Bill 1145 (2018) authorizes a district to finance the ongoing or capitalized costs to maintain public capital facilities financed in whole or in part by the district but prohibits the use of proceeds of bonds issued to finance maintenance (i.e., maintenance if funded pay-as-you-go). In addition, a district may not finance the costs of ongoing operations or providing services of any kind.

Economic Considerations

EIFDs redirect property taxes otherwise accruing to the General Fund. The value created by the project is captured and invested in the District. However, only specific types of public investments of community-wide significance may be financed through an EIFDs. EIFDs cannot be used to finance operations and maintenance expenses.

Regional, State, and Federal Funding

There are many potential federal, State, regional, and private sources of grants or loans to fund Facilities in the Specific Plan Area. The City should aggressively pursue all available funding sources from federal, State, regional, and other funding sources. A summary of key funding opportunities is provided below.

Federal Funding Sources

Federal Infrastructure Investment and Jobs Act

Since 2015, one of the primary federal sources of surface transportation funding has been the Fixing America's Surface Transportation (FAST) Act,

which provided surface transportation funding for Fiscal Year 2016 through Fiscal Year 2020. The FAST Act was extended through September 30, 2021, but expired at that date. On November 15, 2021, the Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Bill, was signed into law, which includes funding for surface transportation. Congress passed an updated transportation bill on November 8, 2021, which both secured funding for continuing existing programs and created dozens of new grant programs.

Federal Housing and Urban Development Promise Zones

The Specific Plan Area is located in a designated federal "Promise Zone" and will therefore have priority for federal housing grants.

Federal Community Development Block Grants

Community Development Block Grant (CDBG) funds are distributed by the Department of Housing and Urban Development (HUD). The City manages and identifies funding priorities for projects in the City. Although most of the funding is reserved for the acquisition and rehabilitation of affordable housing, some funding also is available for public improvements (i.e., roads, parks).

State and Regional Funding Sources

State Transportation Improvement Program

State Transportation Improvement Program (STIP) funds are derived from a combination of federal and State sources, including taxes and fees. These funds are divided into 2 programs: the Interregional Transportation Improvement Program (ITIP) and the Regional Transportation Improvement Program (RTIP). To be eligible for RTIP funding, projects must be included in the transportation improvement plan prepared by the regional agency (Sacramento Area Council of Governments), which are submitted to the California Transportation Commission every

other December (odd years). RTIP funding, which represents 75 percent of total STIP funding, goes to local regions through a formulaic process.

California Transportation Commission Local Programs

California Senate Bill 1 (SB 1), enacted in 2017, created several programs for the distribution of funds raised by the imposition of new gas and diesel taxes and vehicle registration fees. The Local Partnership Program appropriates \$200 million annually, with 40 percent distributed through a competitive process, and 60 percent distributed through a formulaic process. The Local Streets and Roads program dedicates approximately \$1.5 billion annually for road maintenance, rehabilitation, and critical safety projects.

State Strategic Growth Council Funding

The Strategic Growth Council's Affordable Housing and Sustainable Communities Program and Transformative Climate Communities Program provide competitive grants to support affordable housing and related transit and active transportation projects.

Statewide Community Infrastructure Program Financing

The City participates in the Statewide Community Infrastructure Program (SCIP), which is a program provided by the California Statewide Communities Development Authority (CSCDA) to help finance development projects. The SCIP is a pooled tax-exempt bond financing program that can finance impact fees and public improvements for private developments. The bonds are issued by the CSCDA, which is a Joint Powers Authority sponsored by the League of California Cities and the California State Association of Counties.

The SCIP allows property owners to finance certain development impact fees and public improvements through tax-exempt bonds for up to 30 years. Improvements eligible for the SCIP are the following types of facilities: streets and

roadways, street lighting, freeway interchanges, parking, pedestrian malls, landscaping, sidewalks, sewer and pipelines, storm drainage, parks and parkways, flood control, bridges and thoroughfares, water supply, bicycle and pedestrian trails, gas supply, and open space and greenbelts. The SCIP is not eligible to be used to support the payment of school, affordable housing in-lieu, fire, and police fees.

State Infrastructure Bank

The I-Bank was created in 1994 to finance public infrastructure and private development that promote a healthy climate for jobs, contribute to a strong economy, and improve the quality of life in California communities. The I-Bank operates pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (Government Code Sections 63000 et seq.).

The I-Bank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, acquire or lease facilities, and leverage State and federal funds. The I-Bank's current programs include the Infrastructure State Revolving Fund (ISRF) Program, 501(c)(3) Revenue Bond Program, Industrial Development Revenue Bond Program, Exempt Facility Revenue Bond Program, and Governmental Bond Program. The ISRF Program provides very low-interest rate loans up to \$25 million (per applicant) to municipal governments for a wide variety of municipal infrastructure, including infrastructure needed to serve new development. An application is required for these loans, and loans require a stable and reliable source of repayment. If approved, loan repayment can be funded through a commitment of city general fund revenues or a pledge of a particular revenue source, including a citywide tax, land-secured assessment, or special tax levied on a particular area.

Recent changes to the program may increase I-Bank lending to cities without other credit options. Pursuing further opportunities to modify or expand the program, or to create an entirely new

program, could make State-sponsored lending a useful tool for assisting and incentivizing infill development.

Potential Facilities Funding Strategy

Table E-3 provides a conceptual summary of costs and possible funding sources and mechanisms. The ultimate mix of financing mechanisms will be determined in the implementation process, based on final technical analyses of costs, benefits and

Facilities Funding Implementation

The following section outlines the steps to be followed by the City, in cooperation with development interests, to establish the preferred financing mechanisms in a formal Financing Strategy.

The implementation actions have been designed to respond to varying circumstances, including variations in the infrastructure financed and land use development in the Specific Plan Area.

Step 1: Finalize Cost and Phasing Assumptions

Action 1.1: Identify Final Set of Facilities

Before a Financing Strategy can be implemented, the City must provide direction concerning the Backbone Infrastructure and Public Facilities to be financed as part of the Specific Plan Area. A decision regarding the inclusion of one facility or another may have consequences on the financial feasibility of development in the Specific Plan Area or the potential to provide other needed Facilities in the Specific Plan Area.

Table E-3. Summary of Potential Facilities Funding Sources and Uses

Facility	Potential Funding Sources			
	Existing Fee Programs	New Local Funding	Regional, State, and Federal Funding	Private or Other Funding
Backbone Infrastructure				
Roadways	X		X	
Wastewater/Storm Drain.	X			
Water	X	X	X	X
Dry Utilities				X
Public Facilities				
Parks and Open Space	X			X
Law Enforcement				X
Fire Protection				X
Library				X
Schools	X			X
Transit			X	X

Action 1.2: Complete Final Cost Estimates

The City and other interested parties also must establish a final set of Facilities costs that will be financed in the Specific Plan Area. The cost estimates included in this chapter must be considered preliminary and for planning purposes only.

Action 1.3: Establish Infrastructure Phasing Based on Development Priorities

This action serves to ensure that a financially feasible and acceptable Financing Strategy can be created to support development in the Specific Plan Area.

Step 2: Approve a Financing Strategy**Action 2.1: Establish Extent of City and Other Agency Funding Commitments**

The City should determine to what extent it will be able to contribute citywide funds to finance new infrastructure in the Specific Plan Area. In particular, the City and other parties should determine which funds are available, including State and federal grants and City impact fee funds.

Action 2.2: Consider and Assemble Financing Mechanisms

The overall logic and premise of the Financing Strategy should be considered and tested to ensure that it is sound and feasible, given the perspective of the involved parties, including the City, landowners, developers, and other agencies.

Action 2.3: Determine the Magnitude and Timing of Funding Needed

The timing and magnitude of costs will determine to what extent land-secured financing or other financing is required and the degree to which it will be possible to fund improvements on a pay-as-you-go basis.

Action 2.4: Prepare and Adopt Preferred Financing Strategy

Based on the outcomes of previous actions, the City should select a preferred Financing Strategy and prepare a Financing Strategy document. The

Financing Strategy will provide a framework for funding and implementing need Facilities to serve the Specific Plan Area. Selection of the preferred strategy should be consistent with the policies and principles of the Specific Plan document and provide assurance that necessary funding will be available to fund Facilities, based on financial feasibility analyses that account for industry standards and market conditions and include input from Specific Plan Area developers who will be affected by the strategy.

Step 3: Establish Financing Mechanisms

Implementing the Financing Strategy within the context of overall Specific Plan Area implementation may require that the City establish financing districts. Depending on the strategy developed in concert with property owners, one or more of the following actions may be necessary:

- Prepare and adopt an ordinance for a specific plan development impact fee.
- Prepare and establish one or more CFDs, Assessment Districts, or EIFDs.
- Prepare and establish maintenance and services funding mechanisms.
- Prepare Development Agreements with all developers in the Specific Plan Area.

A Development Agreement may be offered to all developers in the Specific Plan Area and modified to meet each developer's particular circumstances. The Development Agreement is viewed to be necessary to convey development program entitlements commensurate with the Specific Plan Area in trade for the financial commitments that will be asked of the developers (including participation in a financing district and acceptance of the area development impact fees).

Establishing new financing mechanisms typically is required to be completed before approval of the first final small lot subdivision map in a specific plan.

Step 4: Update Financing Strategy

Updates to the Financing Strategy may occur if significant new information becomes available regarding Backbone Infrastructure and other Public Facilities cost estimates, land uses, funding mechanisms, or funding strategies. In many cases, any necessary updates to the Financing Strategy are accomplished through updates and revisions to documents that are required as part of Financing Strategy implementation. An ongoing administration and monitoring process should be established to provide for implementation and updating, if necessary, the Financing Strategy and implementing documents.

Operations and Maintenance

This chapter addresses funding options for the construction of Facilities with the purpose of ensuring that sufficient funding is available to cover the costs of improvements required to implement the Specific Plan. The Specific Plan Area also will require funding sources for ongoing services and operations and maintenance costs. There are several existing funding sources available to fund ongoing services and operations and maintenance costs throughout the Specific Plan Area, including City General Fund revenues, other regional and State taxes, user charges, and Regional Transit (RT) fare revenue. In addition, the City may determine that a Services CFD, a district established to fund ongoing operations and maintenance costs for Facilities, may be implemented in the Specific Plan Area.