



CITY OF CARSON

Legislation Text

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Report to Mayor and City Council

Tuesday, May 07, 2019

Consent

SUBJECT:

CONSIDER APPROVAL OF AMENDMENT NO. 2 TO AGREEMENT WITH KOSMONT & ASSOCIATES FOR ENHANCED INFRASTRUCTURE FINANCING DISTRICT CONSULTING SERVICES (CITY COUNCIL)

I. SUMMARY

In February 2017, the City entered into an agreement with Kosmont & Associates to evaluate the feasibility of establishing an Enhanced Infrastructure Financing District (EIFD) to fund essential infrastructure improvements in the City. EIFDs do not increase property taxes for property owners, but instead use the increase in property taxes when properties are developed (tax increment) to finance improvements. Kosmont's evaluation concluded that Enhanced Infrastructure Financing Districts have the capacity to assist the City and would be most effective with partnerships among other taxing entities.

Subsequent to this initial evaluation, the City approved an amended contract in the amount of \$55,000 on February 6, 2018 to work towards the establishment of City's EIFD. The term of contract expired on February 6, 2019, however the task has yet to be completed. During this term, Kosmont & Associates and the City reached out to the County of Los Angeles, as a major taxing entity, to participate and partner in the EIFD. However, at this time, the County of Los Angeles does not appear interested to participate in Carson's EIFD (nor any other city's EIFD within Los Angeles County).

Because EIFDs rely on tax increment, they are most effective in areas with significant spike in property taxes (e.g. areas with major new developments). Given the influx of new developments in recent years, Carson is well suited for the immediate formation of an EIFD. Therefore, staff is recommending the continuance of EIFD formation without the initial participation of other taxing entities. Should other taxing entities decide to participate in the EIFD in the future, the current base year (and subsequent tax increments) would have already been secured under the then formed Carson EIFD.

Outstanding tasks under the current agreement include completion of EIFD Analysis, Infrastructure Financing Plan document, and accompanying Fiscal Impact Analysis. A majority of the work have already been started. Staff is requesting the City Council to

approve a term extension at no additional costs to complete these tasks.

II. RECOMMENDATION

TAKE the following actions:

1. APPROVE Amendment No. 2 to the Contract Agreement with Kosmont & Associates, extending the term through June 30, 2020 at no additional costs, and
2. AUTHORIZE the Mayor to execute the Agreement, following approval as to form by the City Attorney.

III. ALTERNATIVES

TAKE any other action the City Council deems appropriate that is consistent with the requirements of law.

IV. BACKGROUND

Kosmont & Associates was originally retained by the City in 2016 to help evaluate the Vision Plan area surrounding the District at South Bay Specific Plan area (157 acre site). In February 2017, Kosmont was retained to evaluate the feasibility of an EIFD to support the financing of essential infrastructure improvements in the City (Exhibit No. 1). The key findings of the Kosmont report included:

- EIFDs are most effective when formed prior to initiation of significant development in the City to capture the maximum tax increment.
- EIFDs have the capacity to serve as a financial vehicle to help fund key infrastructure and spur revitalization in the City, inducing fiscal revenues, job creation and public health benefits.
- EIFDs would be most effective with partnerships with the taxing entities such as the County and special districts or other funding sources.

In February 2018, the City approved the Amendment No. 1 to the Contract Agreement with Kosmont & Associates (Exhibit No. 2). As part of this amended agreement, Kosmont will continue to help the City to:

- Reach out to potential partners;
- Determine the final boundary of the EIFD;
- Assist in establishing the composition of the Public Financing Authority;
- Prepare the Infrastructure Financing Plan (IFP) document template;
- Refine the preliminary tax increment projections; and
- Prepare the fiscal impacts of the formation of the EIFD and the associated development on the taxing entities.

The above tasks are listed in greater detail under Task 6 to 8 of the Scope of Work, Exhibit A (Exhibit No. 2, pages 22-36). Kosmont & Associates recently updated its revenue model for Task 8 and is waiting for the City to update its project list for final incorporation as well

as an approved amended contract. Tasks 6 to 8 should be completed within 90 days after Kosmont & Associates receive this project list from the City and a fully executed approved contract amendment.

V. FISCAL IMPACT

The scope of work for the original Contract Agreement (Vision Plan Evaluation) has been completed and the original Contract Agreement amount for \$24,990.00 has been fully paid (Tasks 1-5 of Exhibit No. 1). The cost to complete the scope of work (EIFD formation) for Amendment No. 1 (Tasks 6 to 8 of Exhibit No. 2) is \$55,000.00. Funds have been budgeted for FY 2018/19 and FY 2019/20 for contract services in account number 101-70-780-290-6004. The total contract amount is \$79,990.00. To date, the City has paid \$58,937.04 with a remaining balance of \$21,052.96. No additional funds are requested.

VI. EXHIBITS

1. Contract Agreement with Kosmont & Associates. (pgs. 4-21)
2. Amendment No. 1 to Contract Agreement with Kosmont & Associates. (pgs. 22-36)
3. Amendment No. 2 to Contract Agreement with Kosmont & Associates. (pgs. 37-43).

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