

## Financing Options

There is an array of private and public funding mechanisms that could potentially be employed to fund needed roadway, broadband, and other infrastructure improvements. The following are summaries of commonly used tools. Multiple sources could be employed in-tandem or separately to collectively secure sufficient funding for needed improvements.

### Infrastructure Financing District

**(IFD)** are a public finance tool that permits public agencies to dedicate a portion of property tax increment generated by properties within the district to funding a broad array of public facilities and some private facilities. It is technically similar to Redevelopment financing. The difference is that the establishment of a district is subject to voter approval, the contribution of property taxes from taxing agencies is voluntary, and the diversion of property taxes from school districts is not permissible. To ensure that the City would retain sufficient resources to fund on-going municipal services, the City could explore dedicating a small portion of property tax increment towards funding the needed improvements in the BIP.

### Community Facilities District

**(CFDs)** are special taxes imposed on property owners to fund public infrastructure improvements. Any publicly owned facility with a useful life of five or more years is an eligible use of CFD proceeds. CFDs can also be used to fund ongoing infrastructure maintenance costs. The formation of a district requires a 66% approval by registered voters within the proposed boundaries of the district if there are 12 or more registered voters, or a 66% approval by property owners within the district if there are less than 12 registered voters. The special taxes are levied and collected with ordinary property taxes. The special taxes can be used to secure bond proceeds to fund improvements or to fund improvements on a “pay as you go” basis. Both street and broadband improvements would be eligible for funding with CFD proceeds. The advantage of a CFD over an assessment district is that there does not need to be a nexus between the amount of tax paid by a taxpayer and the level of benefit received by the taxpayer.

The major complexity of establishing a CFD is the voter-approval requirements. The viability of establishing a CFD within the BIP could be tested by estimating the cost of the needed improvements and the magnitude of the required additional property tax rate relative to the overall assessed values of properties within the BIP. If the marginal tax rate would be comparatively minor relative to the benefits received, then the property owners might be willing to support the tax.

Another possible strategy for making a CFD more attractive to property owners would be for the City to fund a portion of the debt service on the CFD bonds. This could be accomplished by the City dedicating a portion of property tax revenues generated by BIP properties to the payment of debt services.

### Business Improvement District

**(BIDs)** are formed by businesses or property owners that share a common interest or need. They are typically formed to fund specific on-going maintenance costs or services. Examples include: joint marketing campaigns; security services beyond the services of the local police force; transportation shuttles; tree and landscaping maintenance within the district, etc.