



# **Enhanced Infrastructure Financing District Analysis Summary**

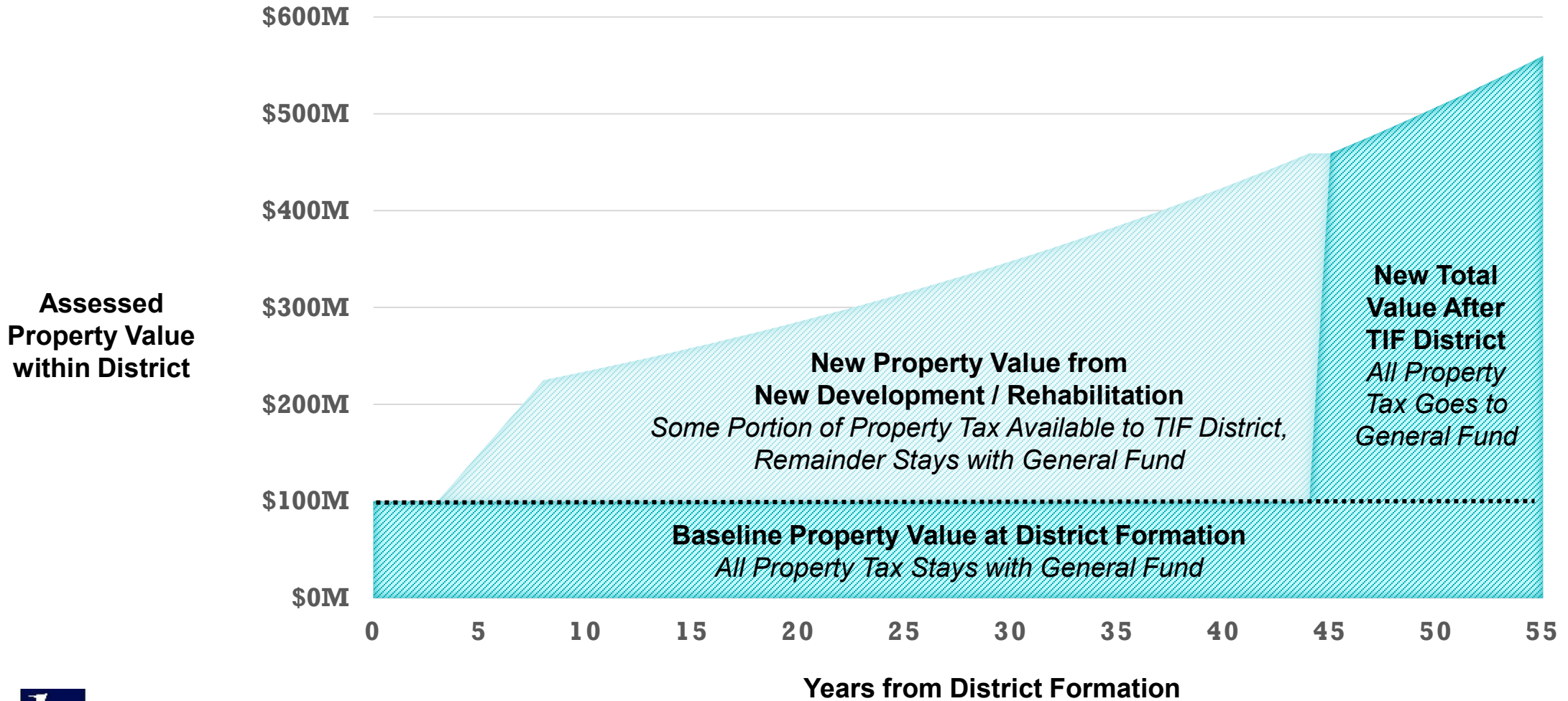
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Kosmont Companies**

# Background

- Pasadena is evaluating the use of a special purpose financing district such as an **Enhanced Infrastructure Financing District (EIFD)** to capture value from potential new development to fund critical infrastructure and community investment priorities
- EIFD tax increment financing (TIF) capacity is estimated to range up to **~\$230M** on a present-value basis
- While a City-only financing district strategy would likely achieve a favorable “return on investment” for the City, a broader partnership including the County of Los Angeles would further improve financial feasibility; initial County feedback has been positive
- In addition to the EIFD funding capacity, the EIFD would elevate the City’s ability to attract other public funding, particularly state and federal grants
- Immediate next steps include City Council consideration of a non-binding Resolution of Intention

# What is Tax Increment Financing (TIF) – Not a New Tax



# EIFD Fundamentals

|                             |  |
|-----------------------------|--|
| <b>Long Term Districts</b>  | 45 years from first bond issuance; can be formed in 12-18 months   |
| <b>Governance</b>           | Public Financing Authority (PFA) implements Infrastructure Financing Plan (IFP)  |
| <b>Approvals</b>            | Mandatory public hearings for formation with protest opportunity; no public vote   |
| <b>Non-contiguous Areas</b> | EIFD project areas <u>do not have to be contiguous</u>   |
| <b>Eligible Projects</b>    | Any property with useful life of 15+ years & of communitywide significance; purchase, construction, expansion, improvement, seismic retrofit, rehabilitation, and <u>maintenance</u> |

# Types of Projects EIFD Can Fund

## *Partial List*



**Storm / Flood / Public Facilities**



**Roadway / Parking / Transit**



**Parks / Open Space / Recreation**



**Libraries & Childcare Facilities**



**Brownfield Remediation**



**Affordable Housing**



**Broadband**



**Wildfire Prevention / Other  
Climate Change Response**



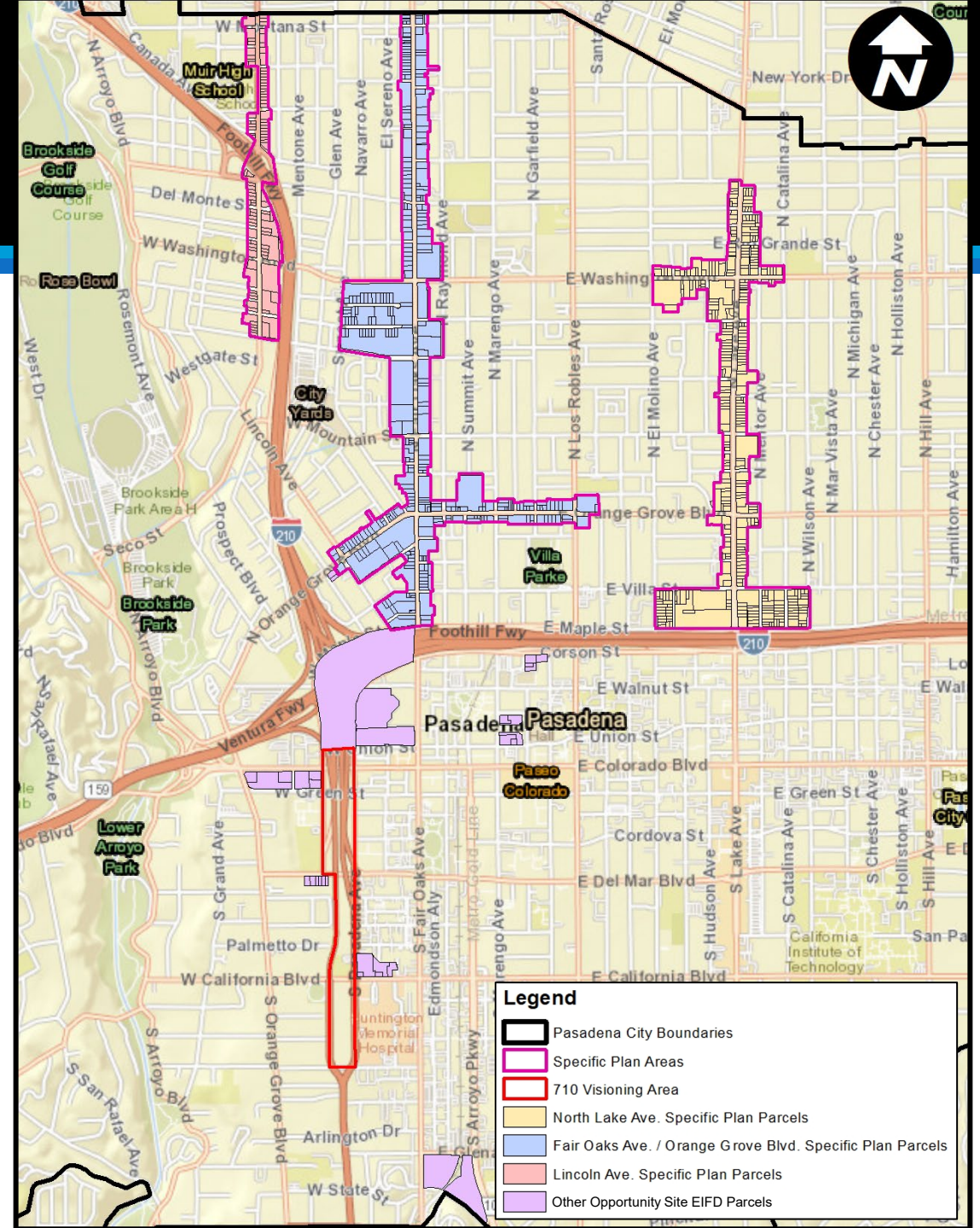
**Small Business /  
Nonprofit Facilities**

# Why are Public Agencies Authorizing Financing Districts?

1. Return on Investment: Private sector investment induced by district commitment accelerates growth of **net fiscal revenues**, **job creation**, **housing production**, **essential infrastructure improvements**
2. Ability to attract additional funds / other public money (“OPM”) – tax increment from other entities (county, special districts), federal / state grants / loans (e.g., for transit-oriented development, water, housing, parks, remediation)

# Proposed EIFD Boundary

- 710 Vision Plan area plus surrounding parcels, and Specific Plan areas Lincoln Avenue, Fair Oaks / Orange Grove, and North Lake Avenue Approx. 551 acres (~3.7% of City)
- \$1.31 billion in existing assessed value (~3.2% of Citywide value)



# Example Projects for Funding in Pasadena

- Mobility and utility infrastructure
- Multimodal improvements
- Sustainable water features
- Clean energy / renewables
- Affordable housing
- Public and open space

# Development Assumptions within EIFD Study Area

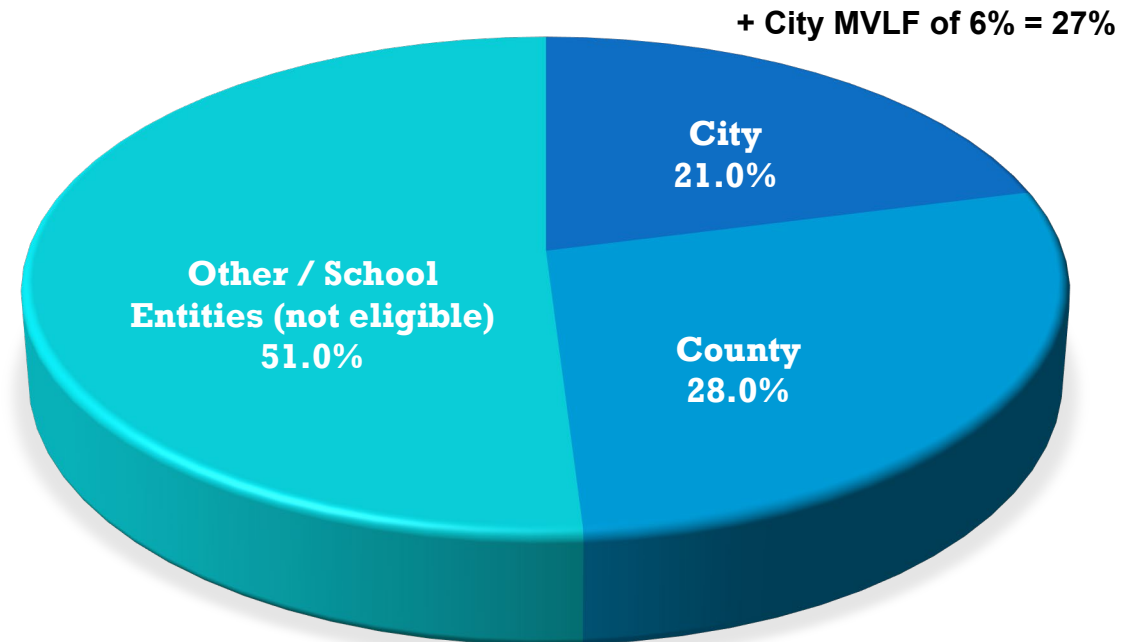
| Area  | # SF or Units | Estimated AV Factor        | Estimated Total AV at Buildout |
|---|---------------|----------------------------|--------------------------------|
| Residential – Market Rate                                   | 2,819 units   | \$475-875K per unit        | \$1.59 billion                 |
| Residential – Affordable                                    | 690 units     | <i>property tax exempt</i> | \$0                            |
| Commercial / Retail   | 54,850 SF     | \$450 PSF                  | \$25 million                   |
| Office  | 759,000 SF    | \$600 PSF                  | \$455 million                  |
| Hotel   | 185 rooms     | \$425K per room            | \$79 million                   |
| <b>Total New Development Assumed within EIFD Study Area</b> |               |                            | <b>\$2.14 billion</b>          |

# Property Tax Revenues Available to EIFD

- Primary non-school recipients and possible contributors of property tax are the **City** and **County**
- City share varies by area and averages **~17% to 21% each** of every \$1 collected in property taxes within the study area, not including the City's voter-approved retirement allocation
  - City additionally receives equivalent of **~6%** of property tax in lieu of motor vehicle license fees (MVLF), also available to EIFD
- County General Fund share averages **~28% to 35%**
  - County additionally receives property tax in lieu of MVLF, also available to EIFD, but not incorporated into this analysis to be conservative
- State law prohibits school-related entities from pledging their share

## Property Tax Distribution

Tax Rate Area (TRA) 07454



*As counties tend to rely more heavily on property tax revenue sources generated by new development within incorporated jurisdictions, it is Kosmont's experience that it is not reasonable to assume allocation of property tax in lieu of MVLF by the County. As cities benefit from additional non-property tax revenue sources (e.g., sales tax, transient occupancy tax) from new development, it is Kosmont's experience that it is reasonable for cities to consider contributing property tax in lieu of MVLF.*

*Post-ERAF (Education Revenue Augmentation Fund) distribution.*

*Source: Los Angeles County Auditor Controller (2026)*

# Los Angeles County EFD Participation Policy

|   |                                     |
|---|-------------------------------------|
| <p><b>Property Tax Increment:</b></p> <ul style="list-style-type: none"> <li>• City share contributed <math>\geq</math> County share contributed</li> <li>• County contributes less than 100% of its share</li> </ul> | <input checked="" type="checkbox"/> |
| <p><b>Fiscal Analysis:</b> Positive net impact to County General Fund</p>   | <input checked="" type="checkbox"/> |
| <p><b>Board Priorities:</b> Supports affordable housing, homeless prevention, workforce development, or sustainability</p>  | <input checked="" type="checkbox"/> |
| <p><b>Regional and Community Significance:</b> As related to Board priorities above, job creation, blight removal, or improvements to regional transportation</p>   | <input checked="" type="checkbox"/> |
| <p><b>Affordable Housing:</b> 20% of units or tax increment will be set aside for affordable housing uses</p>   | <input checked="" type="checkbox"/> |
| <p><b>“But for...” Test:</b> Contribution of County property tax increment is necessary precondition for targeted projects</p>  | <input checked="" type="checkbox"/> |

# EIFD Revenue and Bonding Capacity Scenarios

| EIFD Revenue Allocation Scenario                    | Year 5 Accumulated Revenue + Bonding Capacity* | Year 10 Accumulated Revenue + Bonding Capacity* | 50-Year Present-Value @ 3% Discount Rate | 50-Year Nominal Total |
|---|--|---|--|-----------------------|
| A) City 25%   | \$5,375,000                                    | \$14,697,000                                    | \$57,616,000                             | \$144,262,000         |
| B) City 50%   | \$11,413,000                                   | \$30,057,000                                    | \$115,232,000                            | \$288,523,000         |
| C) City 25% + County \$ Match (24% of County share) | \$11,413,000                                   | \$30,057,000                                    | \$115,232,000                            | \$288,523,000         |
| D) City 50% + County \$ Match (48% of County share) | \$23,488,000                                   | \$60,775,000                                    | \$230,463,000                            | \$577,046,000         |

*City allocation includes allocation from both AB8 + MVLF in-lieu. County allocation does not include MVLF in-lieu.*

*\* Bonding capacity assumes Year 5 is first bond issuance for EIFD. "Year 5 means fifth year of revenue following district formation. Net proceeds shown. Bondable revenue assumes \$25,000 admin charge, 150% debt service coverage. 6.0% interest rate; 30-year term. Proceeds net of 2% underwriter's discount, estimated reserve fund (maximum annual debt service), costs of issuance estimated at \$350,000. Source: Kosmont Financial Services (KFS), registered municipal advisor.*

# Potential Cash Flow / Debt Issuance Approaches

- Kosmont Financial Services is in active discussions with public finance underwriters regarding TIF debt issuances in other jurisdictions
- There are several approaches for the leverage of tax increment for accelerated debt issuance (e.g., 2-3 years from district formation), for example:
  - a) Tax increment only
  - b) Overlapping TIF and CFD (CFD Backstop) – landowners / developers must be willing to pay CFD special taxes in the short term (e.g., 5-10 years) until tax increment reaches a level to cover debt service
  - c) Tax increment with City or County general fund backstop
- There are advantages and disadvantages with each approach (e.g., upfront proceeds available, public agency risk, cost of capital)
- Additional alternatives are available if private sector partners (e.g., landowners / developers are willing to advance infrastructure funding in exchange for reimbursement from TIF proceeds)

# Public Agency and Community Return on Investment

- Housing: **3.5K+ units**, including significant number of **affordable** units
- Economic revitalization, climate resilience, addressing critical infrastructure needs
- Job creation, wages:
  - **27.8K+ temporary construction-related jobs\***, **~\$1.9B** related new wage income
  - **3.4K+ permanent jobs**, related **~\$186M** in new annual wage income
- Acceleration of development and related fiscal revenues for taxing entities:
  - **\$30M** in present value **fiscal benefit** for **CITY** general fund over 50 years, net of tax increment contribution to district and estimated expenditures (40% City allocation scenario)
  - **\$175M** in present value **fiscal benefit** for **COUNTY** general fund over 50 years, net of tax increment contribution to district and estimated expenditures (25% County allocation scenario)
  - **\$79M** in present value new sales tax funding for **COUNTY** transportation and homelessness services (separate from County general fund)
- Attract other funding not otherwise available for projects within the community

\* Construction job-years, where one job-year is defined as one year of employment for one individual

# Proposed Financing District Formation Schedule

| Target Date                | Task  |
|----------------------------|---|
| <b>Nov 2025 – May 2026</b> | a) Conduct outreach/discussion among City staff and Council, County staff and Board of Supervisors, other relevant stakeholders<br>b) Final determination of EIFD boundaries, eligible projects, governing Public Financing Authority (PFA) Board |
| <b>June / July 2026</b>    | c) Participating taxing agencies adopt Resolution(s) of Intention (ROI) and formally establish PFA  |
| <b>July 2026</b>           | d) PFA directs the drafting of the Infrastructure Financing Plan (IFP)  |
| <b>August 2026</b>         | e) Distribute draft IFP to property owners, affected taxing entities, City Council, County Board of Supervisors   |
| <b>September 2026</b>      | f) PFA holds an initial public meeting to present the draft IFP to the public and property owners   |
| <b>October 2026</b>        | g) City Council/legislative bodies of other affected taxing entity contributing increment adopt resolution(s) approving IFP   |
| <b>November 2026</b>       | h) PFA holds first public hearing to hear additional comments and take action to modify or reject IFP (at least 30 days after “f”)  |
| <b>December 2026</b>       | i) PFA holds second public hearing to consider oral and written protests and take action to terminate proceedings or adopt IFP and form the district by resolution (at least 30 days after “h”)   |

- Tax increment allocation begins fiscal year following district formation
- Debt issuance, if desired, would occur after a stabilized level of tax increment has been established (may be 3-5 years)

# Proposed Next Steps

- Address questions, receive and incorporate feedback from City staff, City Council
- Outreach to the County to confirm potential EIFD partnership
- Based on City/County feedback, next action would be City Council consideration of a non-binding Resolution of Intention to form the EIFD

# Disclaimer

The high-level analyses, projections, assumptions, rates of return, and any examples presented herein are for illustrative purposes and are not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ from those expressed in this analysis.

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