

Date of Hearing: July 3, 2019

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT
Cecilia Aguiar-Curry, Chair
SB 293 (Skinner) – As Amended June 20, 2019

SENATE VOTE: 36-0

SUBJECT: Infrastructure financing districts: formation: issuance of bonds: City of Oakland.

SUMMARY: Establishes procedures to form an Infrastructure Financing District (IFD) in the City of Oakland, modeled after various existing infrastructure financing district laws.

Specifically, **this bill:**

- 1) Defines the following terms for the establishment of an Oakland IFD:
 - a) “Affected taxing entity” means any governmental taxing agency, except Oakland and its local educational agencies, that levied or had levied on its behalf a property tax on all or a portion of the land located in the proposed district in the fiscal year prior to the designation of the district, all or a portion of which the district proposes to collect in the future under its infrastructure financing plan;
 - b) “Base year” to mean the fiscal year in which the assessed value of taxable property in the district was last equalized prior to the effective date of the ordinance adopted to create the district, or a subsequent fiscal year specified in the infrastructure financing plan for the district;
 - c) “City council” means the City Council of the City of Oakland;
 - d) “Debt” means loans, advances, or other forms of indebtedness and financial obligations, including, but not limited to, commercial paper, variable rate demand notes, all moneys payable in relation to the debt, and all debt service coverage requirements in any debt instrument, in addition to the obligations specified in the definition of “debt” in Section 53395.1;
 - e) “District” means any district created pursuant to this section, including any project area within a district;
 - f) “District board” means the governing body for the district created pursuant to this section. This district board shall include each member of the city council and one member from each affected taxing entity, if any, that adopts a resolution approving an infrastructure financing plan pursuant to this section. If no affected taxing entity adopts a resolution approving an infrastructure financing plan, the district board shall be the city council;
 - g) “Local educational agencies” means, collectively, the Oakland Unified School District, the Peralta Community College District, and the Alameda County Office of Education;
 - h) “Oakland” means the City of Oakland;

- i) “Project area” means a defined area within a district formed under this chapter, as specified; and,
 - j) “Public facilities” means facilities authorized to be financed in whole or in part by a district formed under this chapter, as specified. Public facilities may be publicly owned or privately owned if they are available to and serve the general public, but shall not include any ball park for the Oakland Athletics Major League Baseball franchise;
- 2) Allows the Oakland IFD to finance the design, purchase, construction, expansion, improvement, seismic retrofit, or rehabilitation of any real or other tangible property with an estimated useful life of 15 years or longer. Allows the facilities to be located outside of the boundaries of the district, so long as they have a tangible connection to the work of the district, as detailed in the infrastructure financing plan. Specifies that the district shall only finance public facilities of communitywide significance that provide significant benefits to the district or the surrounding community.
- 3) Prohibits the Oakland IFD from financing routine maintenance, repair work, or the costs of ongoing operation or providing services of any kind;
- 4) Allows the Oakland IFD to finance any of the following:
- a) Highways, interchanges, ramps and bridges, arterial streets, parking facilities, and transit facilities;
 - b) Sewage treatment and water reclamation plants and interceptor pipes;
 - c) Facilities for the collection and treatment of water for urban uses;
 - d) Flood control levees and dams, retention basins and drainage channels;
 - e) Childcare facilities;
 - f) Libraries;
 - g) Parks, recreational facilities, and open space;
 - h) Facilities for the transfer and disposal of solid waste, including transfer stations and vehicles;
 - i) Brownfield restoration and other environmental mitigation;
 - j) The development of projects on a former military base, provided that the projects are consistent with the military base authority reuse plan and are approved by the military base reuse authority, if applicable;
 - k) The repayment of the transfer of funds to a military base reuse authority, as specified;
 - l) The acquisition, construction, or rehabilitation of housing for very low income households and persons and families of low or moderate income, as defined, for rent or purchase;

- m) Acquisition, construction, or repair of industrial structures for private use;
 - n) Transit priority projects, as defined, that are located within a transit priority project area;
 - o) Projects that implement a sustainable communities strategy or alternative planning strategy, as specified;
 - p) Projects that enable communities to adapt to the impacts of climate change, as specified;
 - q) Port or harbor infrastructure, as defined;
 - r) The acquisition, construction, or improvement of broadband internet access service, as defined;
 - s) Remediation of hazardous materials in, on, under, or around any real or tangible property;
 - t) Seismic and life safety improvements to existing buildings;
 - u) Rehabilitation, restoration, and preservation of structures, buildings, or other facilities having special historical, architectural, or aesthetic interest or value, as specified;
 - v) Structural repairs and improvements to piers, seawalls, and wharves, and installation of piles;
 - w) Removal of bay fill;
 - x) Stormwater management facilities, other utility infrastructure, or public open-space improvements;
 - y) Other repairs and improvements to public facilities;
 - z) Planning and design work that is directly related to any public facilities authorized to be financed by a district;
 - aa) Reimbursement payments to the California Infrastructure and Economic Development Bank, as specified; and,
 - bb) Improvements, which may be publicly owned, to protect against potential sea level rise.
- 5) Allows the Oakland IFD's board to adopt or amend one or more plans for the district according to specified procedures. Requires the district to only include those areas that the district board finds are necessary to achieve the goals of the district, as identified in the resolution of intention. Allows the district to be divided into project areas, each of which may be subject to distinct limitations. Allows the district board to, at any time, add territory to the district or amend the plan for the district in accordance with the same procedures for the formation of the district and adoption of the plan.
- 6) Requires, before initiating proceedings for the establishment of a district, the city council to make specified findings. Allows, after those findings are made, the city council to initiate proceedings for the establishment of an IFD by adopting a resolution of intention, which must specify certain information.

- 7) Requires the city council to direct the city clerk to mail a copy of the resolution of intention to any affected taxing entities.
- 8) Requires the proposed infrastructure financing plan to be consistent with the general plan of Oakland, and include:
 - a) A description of the public facilities required to serve the district, as specified;
 - b) A financing section that shall contain all of the following:
 - i) A provision that specifies the maximum portion of the incremental tax revenue of Oakland and any affected taxing entity proposed to be committed to the district, and affirms that the plan will not allocate any portion of the incremental tax revenue of the local educational agencies to the district. The portion need not be the same for all affected taxing entities and may change over time;
 - ii) Limitations on the use of levied taxes allocated to and collected by the district, as specified;
 - iii) A projection of the amount of incremental tax revenues expected to be received by the district, as specified. States that incremental tax revenues can be received for a period no later than 45 years after Oakland projects that the district will have received \$100,000 in incremental revenues;
 - iv) Projected sources of financing for the public facilities to be assisted by the district, including debt to be repaid with incremental tax revenues, projected revenues from future leases, sales, or other transfers of any interest in land within the district, and any other legally available sources of funds;
 - v) A limitation on the aggregate number of dollars of levied taxes that may be divided and allocated to the district. Prohibits taxes from being divided or allocated to the district beyond this limitation, except by amendment of the infrastructure financing plan, as specified;
 - vi) For the district, or for each project area of the district, a date on which the infrastructure financing plan will cease to be in effect and all tax allocations to the district will end, and a date on which the district's authority to repay indebtedness will end, as specified;
 - vii) An analysis of the costs to Oakland for providing facilities and services to the district while the district is being developed and after the district is developed, and of the taxes, fees, charges and other revenues expected to be received by Oakland as a result of expected development;
 - viii) An analysis of the projected fiscal impact of the district and any associated development upon any affected taxing entity;
 - ix) Estimated administrative expenses to be paid with incremental tax revenues allocated to the district;

- x) A statement that the district will maintain accounting procedures in accordance with existing law;
 - c) A provision that meets the requirements of existing IFD law providing for the division of taxes, as specified.
- 9) Allows the Oakland IFD to utilize revenues from other sources, as specified, similar to Enhanced Infrastructure Financing District (EIFD) law.
 - 10) Requires the proposed infrastructure financing plan to be mailed to each affected taxing entity for review, together with, to the extent available, any report required by the California Environmental Quality Act (CEQA) that pertains to the proposed public facilities and any proposed development project for which the public facilities are needed. Requires the report to also be sent to the Oakland Planning Department and the city council.
 - 11) Prohibits the city council from enacting a resolution proposing formation of a district and providing for the division of taxes of any affected taxing entities, unless the governing body of each affected taxing entity adopts a resolution approving the plan, and that resolution has been filed with the city council at or before the time of the hearing. Specifies that a resolution approving the plan adopted by the governing body of an affected taxing entity shall be deemed the affected taxing entity's agreement to participate in the plan.
 - 12) Allows the city council to amend the infrastructure financing plan to remove the allocation of the tax revenues of the nonconsenting affected taxing entity, if the governing body of an affected taxing entity has not approved the infrastructure financing plan before the city council considers the plan.
 - 13) Requires the district board to consider adoption of the infrastructure financing plan at three public hearings, and specifies the timeframe and requirements of each public hearing, as well as public noticing requirements. Requires, at the third public hearing, the district board to consider all written and oral protests received prior to the close of the public hearing along with the recommendations, if any, of affected taxing entities, and requires termination of the proceedings or adoption of the plan subject to confirmation by the voters at an election called for that purpose. Requires the district board to terminate the proceedings if there is a majority protest, as specified.
 - 14) Requires an election to be called if between 25% and 50% of the combined number of landowners and residents in the area who are at least 18 years of age file a protest. Requires the election to be held within 90 days of the public hearing and allows that election be held by mail-in ballot. Specifies that if a majority of the landowners and residents vote against the infrastructure financing plan, then the district board shall not take any further action to implement the plan. Prohibits the district board from proposing a new or revised plan for at least one year following the date of an election in which the plan was rejected.
 - 15) Allows, if less than 25% of the combined number of landowners and residents in the area file a protest, the district board to adopt the plan at the conclusion of the third public hearing by ordinance. Provides that the ordinance shall be subject to referendum.
 - 16) Requires the district board to review the plan at least annually and make any amendments that are necessary and appropriate. Requires an annual independent audit. Requires an

annual report, as specified. Prohibits the district board from spending any funds until the board has provided the report.

- 17) Allows the district board to approve and issue bonds for the district, by a majority vote of its members, issue tax-exempt or taxable bonds, as specified, and allows bonds to be sold at a negotiated sale. Requires a resolution requiring specified information to be adopted prior to bonds being issued. Allows the district, by majority vote, to provide for the refunding of bonds, as specified.
- 18) Finds and declares that a special statute is necessary and that a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the unique circumstances in the City of Oakland.
- 19) Makes a number of findings and declarations about IFDs and EIFDs, and the intent of the Legislature that the Oakland IFD does not interfere or override the authority of the State Lands Commission or the San Francisco Bay Conservation and Development Commission.

EXISTING LAW:

- 1) Allows cities and counties to create IFDs and issue bonds to pay for community scale public works. To repay the bonds, IFDs divert property tax increment revenues from other local agencies for 30 years.
- 2) Prevents IFDs from diverting property tax increment revenues from schools.
- 3) Requires, to form an IFD, development of an infrastructure plan, copies sent to every landowner, consultation with other local agencies, and holding a public hearing. Other local agencies are not required to participate in an IFD, and any local agency that will contribute its property tax increment revenue to the IFD must approve the plan.
- 4) Requires voter approval for any of the following actions:
 - a) Forming the IFD (requires two-thirds voter approval);
 - b) Issuing bonds (requires two-thirds voter approval); and,
 - c) Setting the IFD's appropriations limit (majority voter approval).
- 5) Allows, once an IFD is formed:
 - a) Financing the purchase, construction, expansion, improvement, seismic retrofit, or rehabilitation of any real or other tangible property with an estimated useful life of 15 years or longer;
 - b) Paying for the planning and design work directly related to the purchase, construction, expansion, or rehabilitation of that property; and,
 - c) Purchasing facilities for which construction has been completed.
- 6) Prohibits IFDs from paying for routine maintenance, repair work, ongoing operations, or providing services of any kind.

- 7) Allows IFDs to only finance public capital facilities of communitywide significance, including projects to improve transportation; sewage and water infrastructure; childcare facilities; libraries; parks and recreation facilities; waste facilities; and, broadband internet infrastructure.
- 8) Requires IFDs that construct dwelling units to set aside not less than 20% of those units to increase and improve the community's supply of low- and moderate-income housing available at an affordable housing cost.
- 9) Requires, if residential units are proposed to be removed or destroyed as part of a district project, to take various actions to make sure the district replaces those units and provides relocation assistance to displaced residents.

FISCAL EFFECT: None

COMMENTS:

- 1) **Post-RDA Tax Increment Tools.** Since RDAs' dissolution, various tools have sprung up to restore local agencies' ability to finance infrastructure. Cities and counties can create IFDs and issue bonds to pay for community scale public works: highways, transit, water systems, sewer projects, flood control, childcare facilities, libraries, parks, and solid waste facilities. To repay the bonds, IFDs divert property tax increment revenues from other local governments for 30 years. However, IFDs cannot divert property tax increment revenues from schools.

Forming an IFD is cumbersome. The city or county must develop an infrastructure plan, send copies to every landowner, consult with other local agencies, and hold a public hearing. Other local agencies are not required to participate in an IFD, and any local agency that will contribute its property tax increment revenue to the IFD must approve the plan. The plan must include (1) how much property tax revenue the city or county, and each affected taxing entity will contribute; (2) information on the specific projects and how they will be financed; (3) a limit on the total amount of property tax revenue that can be allocated to the district; (4) a date on which the district will cease to exist, not more than 30 years after formation; and, (5) a cost analysis, projected fiscal impact of the district, and plans to finance costs the district incurs.

Once the other local officials approve, the city or county must still get the voters' approval to: form the IFD (requires two-thirds voter approval); issue bonds (requires thirds voter approval); and set the IFD's appropriations limit (majority voter approval).

Once formed, the IFD can finance the purchase, construction, expansion, improvement, seismic retrofit, or rehabilitation of any real or other tangible property with an estimated useful life of 15 years or longer; pay for the planning and design work directly related to the purchase, construction, expansion, or rehabilitation of that property; and, purchase facilities for which construction has been completed. These facilities can, as determined by the legislative body that formed the IFD, be physically located within the boundaries of the district.

IFDs cannot pay for routine maintenance, repair work, ongoing operations, or providing services of any kind, and can only finance public capital facilities of communitywide significance, including: 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; and, projects that include broadband internet infrastructure.

IFDs that construct dwelling units must set aside not less than 20 % of those units to improve the community's supply of low- and moderate-income housing available at an affordable housing cost. IFDs are also required, if residential units are proposed to be removed or destroyed as part of a district project, to (1) make an equal number of affordable units available as were removed or destroyed within four years if they were inhabited by low or moderate income households, (2) make 20 % of replacement units available to low or moderate income households if such households did not occupy the destroyed units, (3) provide relocation assistance to displaced residents, and (4) ensure that low and moderate income households are not displaced until suitable replacement dwellings are available.

Alternatives to IFDs. In part due to the cumbersome IFD formation process, legislators have developed alternatives to IFDs, and in some cases, IFDs specific to a particular area:

- a) **San Francisco Waterfront IFD.** In 2005, the Legislature passed special provisions that apply just to an IFD along the San Francisco waterfront on land that is under the jurisdiction of the Port of San Francisco [SB 1085, (Migden), Chapter 219, Statutes of 2005]. In 2010, the Legislature repealed that law, instead enacting a new special statute governing the formation and activities of infrastructure financing districts along San Francisco's waterfront, called "waterfront districts" [AB 1199, (Ammiano), Chapter 785, Statutes of 2012]. AB 1199 applied only to land under the jurisdiction of the Port of San Francisco, and contained special provisions for a San Francisco waterfront IFD in the 65-acre Pier 70 area. The district also has access to the school share of property tax revenue, and can issue bond debt without voter approval.
- b) **EIFDs.** The Legislature created EIFDs through SB 628 (Beall), Chapter 785, Statutes of 2014, after it dissolved RDAs in 2011, as a more flexible way to use tax increment financing to raise the capital to fund public works projects. EIFDs require a 55% approval for issuing bonds, though no vote is required to establish an EIFD.
- c) **Seaport IFDs.** SB 63 (Hall), Chapter 793, Statutes of 2015, allows city and county officials to establish Seaport Infrastructure Financing District (SIFDs). The bill defines an SIFD as an EIFD that finances port or harbor infrastructure pursuant to specified statutes, and declares that the statutes governing EIFDs also apply to SIFDs, except that statutes enacted by the bill with respect to SIFDs prevail if they conflict with any provision of the EIFD statutes. SIFDs must secure a two-thirds vote of the public to issue bonds.
- d) **Community Revitalization and Investment Authority (CRIAs).** AB 2 (Alejo and E. Garcia), Chapter 319, Statutes of 2015, authorizes tax increment to be used in

combination with the powers of former RDAs, and can assist with the revitalization of poorer neighborhoods and former military bases. To set up a CRIA, an initial protest opportunity exists, but no public vote is required to establish an authority, and bonds and other debt can be issued after a CRIA is established.

- e) **Affordable Housing Authorities (AHAs).** AB 1598 (Mullin), Chapter 764, Statutes of 2017, authorizes a city or county to create an AHA, modeled after CRIA law, to fund activities related to the promotion and development of affordable housing. AHAs can capture property tax increment, or revenues from a local sales and use tax or transactions and use tax, provided that the use of those revenues by the authority is consistent with the purposes for which the tax was imposed. The bill also contains the process for forming the AHA, the governance structure of the AHA, and requires the AHA to adopt an affordable housing investment plan and what that plan must contain, as well as a requirements to comply with the Ralph M. Brown Act, Public Records Act, and the Political Reform Act. No public vote is needed to establish an AHA, and bonds and other debt can be issued after the AHA is established.
 - f) **NIFTI.** AB 1568 (Bloom), Chapter 764, Statutes of 2017, establishes the NIFTI Act, in existing EIFD law, and specifically allows an EIFD to capture sales and use tax or transactions and use tax revenues, should a city or county decide to allocate such revenues to the EIFD. The revenues would be used specifically to fund an area that is an infill site, and the bill requires that 20% of the funds be used for housing purposes. AB 1568 specifies that only an EIFD that is coterminous with the city or county that formed the EIFD can use taxes in this manner. The bill also requires that the legislative body of the city or county that elects to make an allocation of local sales and use tax to establish the procedures that will be used to calculate the revenues, the decision process that that city or county will determine the amount that will be dedicated to the proposed district, and fix a time and place for public hearing on the proposal. A NIFTI needs 55% voter approval to issue bonds.
 - g) **NIFTI-2.** SB 961 (Allen), Chapter 599, Statutes of 2018, allowed for the formation of a NIFTI-2, a type of EIFD, which can issue bonds to finance affordable housing developments near transit stations, without voter approval. SB 961 also contains provisions that require the Governor's Office of Planning and Research (OPR) to complete a study, by January 1, 2021, on the effectiveness of tax increment financing tools for increasing housing production, including a comparison of the relative advantages and disadvantages of IFDs, EIFDs, AHAs, use of NIFTI and NIFTI-2.
- 2) **Bill Summary and Author's Statement.** This bill establishes procedures for the City of Oakland to form an IFD, relying heavily on other IFD and tax-increment statutes as the model for these procedures. For the formation of the Oakland IFD, a protest process would need to be undertaken by the district board, with the potential of an election if majority protest at a specified threshold exists. This bill also allows for the Oakland IFD to issue bonded indebtedness without a public vote. This bill is sponsored by the City of Oakland.

According to the author, "SB 293 will permit the City of Oakland to form an IFD, which is an essential tool and funding source for redevelopment. With the formation of an IFD, the City of Oakland will be able to fully invest in its community, remediate toxic contamination, and mitigate other environmental justice issues."

3) **Oakland Athletics Stadium Plan.** For many years, the Oakland Athletics have explored plans to build a new baseball stadium for the team. While the City of Oakland and the team discussed various plans and locations, the city and the team settled on developing a new stadium at Howard Terminal, which is located at the eastern edge of the Port of Oakland, near Jack London Square, and currently provides truck parking and ancillary services. This project would consist of the baseball park and adjacent residential, retail, commercial, cultural, entertainment, or recreational uses located at the site. The City and the team would repurpose the existing Oakland-Alameda Coliseum, owned and operated by the city and Alameda County, for other community purposes. AB 734 (Bonta), Chapter 959, Statutes of 2018, established special procedures for CEQA review of the new stadium, additional conditions for certification, and expedited 270-day judicial review for the project. The team intends to privately finance the stadium unlike other sports venue projects, which have relied on public funds. While the city and the team have agreed on a specific site to pursue, many steps for the project remain, including completing the CEQA review process.

4) **Policy Considerations.** The Committee may wish to consider the following:

a) **Majority Vote of Council to Approve Bond Debt.** After RDAs were dissolved, legislators enacted a slew of measures creating new tax increment financing tools to pay for local economic development. In 2014, the Legislature authorized the creation of EIFDs, quickly followed by CRIAs in 2015. Similar to EIFDs, CRIAs use tax increment financing to fund infrastructure projects, with two big differences: CRIAs may only be formed in economically depressed areas, but lack the voter approval requirement. Two years ago, the Legislature authorized the formation of AHAs, which may use tax increment financing exclusively for rehabilitating and constructing affordable housing and also do not require voter approval to issue bonds. Last year, SB 961 (Allen) removed the vote requirement for a subset of EIFDs, called NIFTI-2, to issue bonds and required these EIFDs to go through a robust process for soliciting public input. SB 961 also required OPR to evaluate the effectiveness of the various tax increment financing tools that have sprung up in the wake of RDAs dissolution. Local agencies have had only a year or two to determine whether the most recently enacted frameworks will work for their purposes.

This bill allows the issuance of bond debt with a majority vote of the City Council, and no vote of the public in the district. The Committee may wish to consider where it is premature to create additional tax increment tools until the OPR report required by SB 961 has been completed.

b) **Technical Issues.** In order to create consistency, the Committee may wish to consider fixing the following issues in Section 2 of the bill:

i) **Require city council to amend plan if the affected taxing entity does not consent.**

(e)(7) The city council shall not enact a resolution proposing formation of a district and providing for the division of taxes of any affected taxing entities for use in the district as set forth in the proposed infrastructure financing plan unless the governing body of each affected taxing entity adopts a resolution approving the plan, and that resolution has been filed with the city council at or before the time of the hearing. A resolution approving the plan adopted by the governing body of an affected taxing

entity shall be deemed the affected taxing entity's agreement to participate in the plan for the purposes of this section.

(8) If the governing body of an affected taxing entity has not approved the infrastructure financing plan before the city council considers the plan, the city council ~~may~~**shall** amend the infrastructure financing plan to remove the allocation of the tax revenues of the nonconsenting affected taxing entity.

- ii) **Sale of bonds.** In subdivision (f)(1) bonds can be sold at a negotiated sale subject to the requirements of paragraph (5). Paragraph (5) says that bonds can be sold at a negotiated sale or a competitive sale. In order to be consistent, the language should be clarified in subdivision (f)(1) that bonds can be sold at either a negotiated sale or a competitive sale.
- 5) **Committee Amendments.** The Committee may wish to ask the author to clarify that the infrastructure financing plan needs to be amended if a taxing entity does not consent, and to correct the inconsistent language about sale of bonds, as referenced above.
- 6) **Arguments in Support.** Supporters argue that “While the ballpark itself will be privately financed, this bill will allow the City to establish an IFD so that tax increment created as a direct result of the proposed project can be most efficiently captured and utilized to finance infrastructure improvements needed to support the redevelopment of Howard Terminal and enhance its surrounding communities.
- 7) **Arguments in Opposition.** Opponents argue that this bill would ultimately cost Oakland residents hundreds of million in additional tax dollars to build infrastructure and clean up the site for luxury housing and commercial real estate at an inaccessible area, and that these funds would be better utilized to fund education, homeless shelters, and infrastructure.

REGISTERED SUPPORT / OPPOSITION:

Support

City of Oakland [SPONSOR]
Oakland Athletics

Opposition

California Trucking Association
Harbor Trucking Association
Howard Jarvis Taxpayers Association
Inland Boatman's Union
International Longshore And Warehouse Union, Local 34, Marine Clerks
International Organization of Masters, Mates, And Pilots
Marine Engineers' Beneficial Association
Northern California District Council of The International Longshore and Warehouse Union
Pacific Merchant Shipping Association
Ship Clerks Association ILWU Local #34

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