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CONSENT

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Bill No: AB 464  
Author: Mullin (D)  
Amended: 3/25/21 in Assembly  
Vote: 21

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SENATE GOVERNANCE & FIN. COMMITTEE: 5-0, 6/10/21  
AYES: McGuire, Nielsen, Durazo, Hertzberg, Wiener

ASSEMBLY FLOOR: 77-0, 4/22/21 (Consent) - See last page for vote

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**SUBJECT:** Enhanced Infrastructure Financing Districts: allowable facilities and projects

**SOURCE:** Author

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**DIGEST:** This bill expands the types of facilities and projects enhanced infrastructure financing districts (EIFDs) may fund to include small business structures impacted by the COVID-19 pandemic and nonprofit community organizations' facilities.

**ANALYSIS:**

Existing law:

- 1) Authorizes local governments to create EIFDs and to use tax increment financing (TIF) to finance public capital facilities or other specified projects.
- 2) Requires an EIFD to have a membership consisting of one of the following:
  - a) If an EIFD has only one participating taxing entity, then the membership of its public financing authority (PFA) shall consist of three members of the legislative body of the participating entity and two members of the public chosen by the legislative body.
  - b) If an EIFD has two or more participating affected taxing entities, PFA membership shall consist of a majority of members from the legislative

bodies of the participating entities, and a minimum of two members of the public chosen by the legislative bodies of the participating entities.

- 3) Requires a legislative body, when designating an EIFD, to adopt a resolution of intention to establish a proposed district. The resolution of intention shall include, among other things, a statement that an EIFD is proposed to be established and a description of the boundaries, which may be accomplished by reference to a map.
- 4) Authorizes the EIFD, among other things, to purchase, construct, or improve of real property or maintain of public facilities, as specified.

This bill:

- 1) Authorizes EIFDs to fund the acquisition, construction, or repair of commercial structures, if such acquisition, construction, or repair is for purposes of fostering economic recovery from the COVID-19 pandemic and of ensuring the long-term economic sustainability of small businesses.
- 2) Defines “small business” as an independently owned and operated business that is not dominant in its field of operation, the principal office of which is located in California, the officers of which are domiciled in California, and together with affiliates, has 100 or fewer employees, and average annual gross receipts of \$15 million or less over the previous three years, or is a manufacturer with 100 or fewer employees. This bill specifies that an “independently owned and operated business” includes independently owned franchises.
- 3) Authorizes EIFDs to fund facilities in which nonprofit community organizations provide health, youth, homeless, and social services.

## **Background**

Recent reports from the Governor’s Office of Planning and Research found that despite the multitude of TIF tools available for local agencies to choose from, only five EIFDs have been created by the end of 2020: Otay Mesa (San Diego County), Placentia (Orange County), La Verne (Los Angeles County), West Sacramento (Yolo County), and Sacramento (Sacramento County). Of these five, only the Placentia and La Verne EIFDs include County participation. Three additional TIF districts are under consideration in the cities of Fresno, Ontario, and Redondo Beach.

## Comments

- 1) *Purpose of this bill.* According to the author, “Locally-established EIFDs were authorized by State legislation in 2014 [SB 628 (Beall) 2014] to make up for the loss of former Redevelopment Agency “tax increment” bond financing for civic infrastructure projects and affordable housing development. Tax-exempt 30-year EIFD bonds can be sold up-front and then paid off gradually from future increases in annual local property tax revenues. EIFD districts can be authorized by city legislation, and then bond issues can be issued. It is generally recognized that economic and community recovery from the devastating impacts of the COVID pandemic on local employment, small businesses, and disadvantaged communities depends on public investment as soon as possible in order to restart local economies. Local communities have few alternatives to raise significant funding on their own. They cannot borrow large amounts via long-term loans. Revenue bonds and assessment districts can be utilized only in very limited circumstances. Enhanced Infrastructure Finance Districts can solve this civic investment crisis quickly, when it is most needed. Tax-exempt bond interest rates are rock bottom today – well under 4% – and will stay that way until the American economy recovers fully. This is exactly the right time to leverage civic financial capabilities to the maximum. To date EIFD’s have only been used for small individual projects in only a few cities. Widening the scope and authority of EIFDs would allow for more access to capital to address large and pressing needs at the local level. Under AB 464, funding for counties, school districts, transit districts, etc. would not be affected, but access to funding for needed new infrastructure projects could now be made available. The current crisis-level needs for affordable housing, homeless and community facilities, and small business capital could finally be addressed at sufficient scale to have a real impact.”
- 2) *The right tool in the toolbox?* AB 464 expands the facilities eligible to receive EIFD funding to include two types of facilities the COVID-19 pandemic has significantly affected: small business facilities and facilities run by nonprofit community organizations. Many small businesses closed during the pandemic. Because of these business closures, many community-based organizations that provide services for health, youth, homeless, and social services, have found innovative ways to transform their facilities to accommodate unprecedented demand for their services. AB 464 expands EIFD-eligible facilities to include these facilities. However, EIFDs are not set up to provide immediate support for pandemic-affected facilities. First, local agencies have to set up an EIFD, which requires significant planning resources. Once set up, the EIFD must generate sufficient tax increment to issue bonds, or otherwise finance eligible

facilities. This can take several years. Additionally, the EIFD will have to assess which facilities foster economic recovery from the COVID-19 pandemic and ensure the long-term economic sustainability of small businesses. Given the planning and time commitment required, should local agencies look to EIFDs to finance these facilities?

**FISCAL EFFECT:** Appropriation: No Fiscal Com.: No Local: No

**SUPPORT:** (Verified 6/15/21)

Alameda County Democratic Party

Better Way CA

Build Affordable Faster California

Non-Profit Housing Association of Northern California

San Francisco Bay Area Planning and Urban Research Association

Wellstone Democratic Renewal Club

**OPPOSITION:** (Verified 6/15/21)

None received

**ASSEMBLY FLOOR:** 77-0, 4/22/21

**AYES:** Aguiar-Curry, Arambula, Bauer-Kahan, Bennett, Berman, Bigelow, Bloom, Boerner Horvath, Bonta, Burke, Calderon, Carrillo, Cervantes, Chau, Chen, Chiu, Choi, Cooley, Cooper, Cunningham, Megan Dahle, Daly, Davies, Flora, Fong, Frazier, Friedman, Gabriel, Gallagher, Cristina Garcia, Eduardo Garcia, Gipson, Lorena Gonzalez, Gray, Grayson, Irwin, Jones-Sawyer, Kalra, Kiley, Lackey, Lee, Levine, Low, Maienschein, Mathis, Mayes, McCarty, Medina, Mullin, Muratsuchi, Nazarian, Nguyen, O'Donnell, Patterson, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Seyarto, Smith, Stone, Ting, Valladares, Villapudua, Voepel, Waldron, Ward, Akilah Weber, Wicks, Wood, Rendon

**NO VOTE RECORDED:** Holden, Reyes

Prepared by: Jonathan Peterson / GOV. & F. / (916) 651-4119  
6/16/21 14:52:06

\*\*\*\* END \*\*\*\*