SENATE COMMITTEE ON HOUSING
Senator Aisha Wahab, Chair
2025 - 2026 Regular

Bill No:	AB 1445	**Hearing Date:**	7/15/2025
Author:	Haney		
Version:	7/3/2025 Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Alison Hughes		

SUBJECT: Downtown revitalization and economic recovery financing districts

DIGEST: This bill expands Downtown Revitalization and Economic Recovery Financing Districts (AB 2488, Ting, Chapter 274, Statutes of 2024) statewide.

ANALYSIS:

Existing law, pursuant to AB 2488 (Ting):

1) Allows San Francisco to create a Downtown Revitalization and Economic Recovery Financing District (district) to finance commercial-to-residential conversion projects with incremental tax revenues generated by commercial-to-residential conversion projects and outlines: formation process, governance structure, powers, financing plan, payment mechanics, affordability requirements, labor standards, and accountability measures. The measure allows the San Francisco Board of Supervisors (Board) to form a district by adopting a resolution that includes specified information.

2) Requires the Board, when it establishes the district, to also form a district board at the same time comprising three members of the Board and two members of the public chosen by the Board.

3) Authorizes the Board to appoint one supervisor to serve as an alternate. Members cannot receive compensation, but they can be reimbursed for actual and necessary expenses.

4) Authorizes the district to use incremental property tax revenues generated by commercial-to-residential conversion projects that opt into the district.

5) Provides that district can only finance commercial-to-residential conversion projects the district determines are of communitywide significance and provide significant benefits to the district or San Francisco.

6) Requires the Board, when creating the district, to approve a financing plan over the course of three public hearings. The district must meet specified noticing requirements for these meetings

7) Requires the financing plan to comply with specified conditions and outline certain actions the district will take. To ensure that the city can fund projects effectively, the financing plan must include:

   a) Description of the potential commercial-to-residential conversion projects in the district. Eligible projects can be mixed-use, but must dedicate at least 60% of the square footage for residential use;
   b) Provisions that require each project that includes non-residential development to develop residential and non-residential portions of the development concurrently, as specified;
   c) Identification of each existing commercial building within the district that is eligible for conversion to residential use and that may opt in to receive incremental tax revenue;
   d) Requirements for incremental tax revenues generated by each individual commercial-to-residential conversion project to be distributed back to that same project to finance necessary development costs of the project. The amount a project receives cannot be greater than the incremental tax revenues generated by that same project for a period no greater than 30 years or until the district ceases to exist. This amount is limited to the incremental tax revenues generated by residential use in the project as specified;
   e) Requirements that distributions transfer to the new property owner if the project is sold;
   f) Requirements that any incremental tax revenues remaining after allocating funds to the project must go to support downtown revitalization programs. After allocations have ceased, the tax increment returns to San Francisco;
   g) Specifies the maximum portion of the incremental tax revenue proposed for the district for each year;
   h) A date when the district ceases to exist that is no more than 45 years from the date the district distributes funding to the first project;
   i) An analysis of the cost to San Francisco to provide facilities and services to the area of the district before and after its development, which must include analysis of the tax, fee, charge, and other revenues San Francisco expects to receive in the area of the district;
   j) An analysis of the projected fiscal impact of the district on San Francisco;

k) Requirements for the removal or demolition of any residential units, a plan to protect or replace those units, and a plan to relocate residents consistent with existing law; and
l) Prohibitions against the district from receiving property tax increment that would go to other taxing entities.

8) Requires, after approving the financing plan, the district to create a process for projects to opt-in to district. After a project opts in, the district must determine whether the project meets the district's requirements.

 a) If the project does not meet the district's requirements or there is not enough room under the required cap on total incremental revenues the district receives, then the district must not start distributing funds to the project.
 b) If the district approves the project, the district must establish the base assessed value for the property using the last assessment roll equalized prior to the issuance of the first building permit for the project. The district must pay San Francisco for the costs of calculating property tax revenue amounts. Projects cannot opt in after December 31, 2032.

9) Provides that projects do not need to include any affordable housing units in the first 1.5 million square feet of opted-in commercial-to-residential conversion projects. After the first 1.5 million square feet are developed, projects must comply with one of the following affordability requirements (or the local inclusionary requirement, whichever is higher):

 a) At least 5% of total units for rent are affordable to very low-income households;
 b) At least 10% of total units for rent are affordable to lower- income households; or
 c) At least 10% of total units for sale are affordable to moderate-income households.

10) Provides that commercial-to-residential projects that opt-in to receive funding are considered public works and must pay prevailing wage and additional specified labor standards.

This bill:

1) Expands Downtown Revitalization and Economic Recovery Financing Districts (districts) statewide.

2) Provides that, in districts outside of San Francisco, a city or county may establish one district. These districts would follow the same procedures for their creation as outlined under AB 2488.

3) Provides that for districts outside of San Francisco, a downtown district can only finance commercial-to-residential conversion projects that meet all the following requirements:

   a) At least 75% of the development site's perimeter adjoins parcels developed with urban uses, including sites separated by a street or highway;
   b) The commercial office vacancy rate in the area is 20% or greater; and
   c) The project is located in a transit priority area.

Background

Tax increment financing (TIF) generally. A TIF is a mechanism used to fund and finance public facilities and other improvements, often in infill locations where up-front investments are needed to enable real estate development.[1] TIF captures incremental growth in tax revenues (usually property tax, although other types of revenue can also be collected) above and beyond what taxing entities receive within a designated area. TIF revenues are typically used to pay back upfront costs or debt service for bonds issued to fund improvements such as infrastructure and other public facilities that are needed to facilitate private investment. TIF can play an important role in providing funding for affordable housing. Historically, TIF was a financing tool used by local redevelopment agencies (RDAs). While they were active, RDAs enjoyed broad powers and often played a role in encouraging infill and transit oriented development (TOD). RDAs were also an important local source of funding for affordable housing, because state law required RDAs to set aside 20% of revenues for that purpose. RDAs were dissolved by the state in 2012, partly due to concerns about how TIF revenues were being used (*i.e.*, not meeting their obligations to fund affordable housing).

Since the dissolution of RDAs, the Legislature has created several new TIF tools to authorize local governments to raise revenues to finance local infrastructure. Below is a chart summarizing the various available TIF tools.

[1] Office of Planning and Research. *Housing Financing Tools and Equitable, Location-Efficient Development in California: Report on the Use of Tax Increment Financing.* (December 29, 2020) https://www.opr.ca.gov/docs/20210203-TIF_Tools_Final_Report.pdf

TIFs + Enabling Legislation	Location Reqs	Rev Sources	Aff. Housing Reqs	Expenditures	# Created
Infrastructure Financing Districts (IFD), SB 208 (Seymour, Chapter 1575, 1990)	None	Property tax increment	None	Capital improvements only, such as highways, transit, water systems, sewer projects, flood control, childcare facilities, libraries, parks, and solid waste	2 (through 2021)
Enhanced Infrastructure Financing Districts (EIFD), SB 628 (Beall, Chapter 785, 2014)	None	Property tax increment, increment from property tax in-lieu of vehicle license fees	None	Purchase, construction, or improvement of real property; can be used for maintenance of public facilities, as specified	15
Infrastructure and Revitalization Financing District (IRFD), AB 229 (Perez, Chapter 775, 2014)	None	Property tax increment	None	Same as IFDs plus watershed lands, flood management, brownfield restoration and other environmental mitigation, purchase of real property, housing acquisition or construction, commercial acquisition or construction, and repayment transfer funds into a military base reuse authority	0
Community Revitalization and Infrastructure Authority (CRIA), AB 2 (Alejo, Chapter 319, 2015)	Disadvantaged communities, as specified, or an area within a former military	Property tax increment, increment from property tax in-lieu of vehicle license fees	25% for affordable (low- and moderate income) housing	Wide range of capital improvements within its boundaries	0

	base, as specified.				
Affordable Housing Authorities, AB 1598 (Mullin, Chpater 764, 2017)	None	Property tax increment, increment from property tax in-lieu of vehicle license fees, sales and use tax increment	95% for increasing and preserving affordable housing, as specified.	Financing low- and moderate-income housing, including supportive and transitional housing.	0
Neighborhood Infill Finance and Transit Districts (NIFTI), AB 1568 (Bloom, Chapter 562, 2017)	Qualified infill site	Property tax increment, increment from property tax in-lieu of vehicle license fees, sales and use tax increment	20% of revenues for acquisition, rehabilitation or construction of affordable housing; 20% for all housing to be affordable	Wide range of capital improvements and affordable housing	0
Second Neighborhood Infill Finance and Transit Districts (NIFTI-2), SB 961 (Allen, Chapter 559, 2018)	Qualified infill site and within 1/2 mile of a major transit stop	Property tax increment, increment from property tax in-lieu of vehicle license fees, sales and use tax increment	40% of revenues must be spent on affordable housing; 50% of affordable housing funds for households below 60% AMI and		0

			50% for households below 30% AMI		

Comments

1) *Author's statement.* "As a result from the sharp decline in return-to-office rates during the Covid-19 pandemic, and subsequent suburban sprawl patterns, many of California's downtowns are failing to return to pre-pandemic rates of visitation, revenue-generating dollars, and foot traffic. Office vacancy rates in cities across the state continue to hover around 30 percent, while commercial property values are in a sharp decline. While there has been interest in converting office spaces into mixed-use housing, many developers are unable to actually carry out conversions due to costly, but necessary, upgrades and structural changes to allow for housing to be built. AB 1445 would provide necessary tools to support the creation of affordable, mixed-use housing on former commercial spaces in downtowns across California, giving way to increased foot traffic and sustainable downtown neighborhoods. By allowing cities to opt into a tax increment financing model, AB 1445 will provide much-needed financing for office-to-housing conversions. At a time when cities across the state face budget shortfalls, we cannot afford to allow our downtowns, the main cultural, economic, and revenue-generating districts of California's cities, to crumble."

2) *Downtown Revitalization and Economic Recovery Financing Districts.* AB 2488 (Ting, 2024) allows San Francisco to create a Downtown Revitalization and Economic Recovery Financing District (district) to finance commercial-to-residential conversion projects with incremental tax revenues generated by commercial-to-residential conversion projects and outlines the districts: formation process, governance structure, powers, financing plan, payment mechanics, affordability requirements, labor standards, and accountability measures. The measure allows the San Francisco Board of Supervisors to form a district by adopting a resolution that includes specified information.

   The financing plan must comply with specified conditions and outline certain actions the district will take. To ensure that the city can fund projects effectively, the financing plan must do the following:

   a) Describe the potential commercial-to-residential conversion projects in the district. Eligible projects can be mixed-use, but must dedicate at least 60% of the square footage for residential use;

b) Require each project that includes nonresidential development to develop residential and nonresidential portions of the development concurrently, as specified;
c) Identify each existing commercial building within the district that is eligible for conversion to residential use and that may opt in to receive incremental tax revenue;
d) Require that any incremental tax revenues remaining after allocating funds to the project must go to support downtown revitalization programs. After allocations have ceased, the tax increment returns to San Francisco;
e) Include a date when the district ceases to exist no more than 45 years from the date the district distributes funding to the first project;
f) Analyze the cost to San Francisco to provide facilities and services to the area of the district before and after its development, which must include analysis of the tax, fee, charge, and other revenues San Francisco expects to receive in the area of the district;
g) Analyze the projected fiscal impact of the district on San Francisco;
h) Require, if a project proposes to remove or demolish any residential units, a plan to protect or replace those units, and relocate residents consistent with existing law; and

No affordability requirements apply to the first 1.5 million square feet of opted-in commercial-to-residential conversion projects. After the first 1.5 million square feet are developed, projects must comply with one of the following affordability requirements (or the local inclusionary requirement, whichever is higher):

d) At least 5% of total units for rent are affordable to very low-income households;
e) At least 10% of total units for rent are affordable to lower- income households; or
f) At least 10% of total units for sale are affordable to moderate-income households.

Redevelopment agencies and RDA 2.0 tools that allow for TIFs to pay for housing generally require at least 20% of the funds to pay for housing units that are affordable to low- and moderate income households. AB 2488 (Ting), which was limited to the City and County of San Francisco included affordability provisions that applied only after the first 1.5 million square feet; however, many areas of the state may not be able to meet that threshold. **In order to align with existing provisions for TIF tools and help finance low- and moderate-income housing, the author has agreed to require districts outside of San Francisco to allocate at least 30% of the funds to low- and moderate income housing units and to require the districts outside of San**

Francisco to include the affordability levels in each project starting with the first funded project.

AB 2488 (Ting) did not grant a district access to a share of property tax increment, unlike other TIF tools as EIFDs or CRIAs, which capture property tax prior to projects being built. Instead, it takes increment generated by a specific project and returns it to the project's owner, rather than allowing those funds to flow to San Francisco's general fund.

3) *SF District: TBD.* San Francisco is still in the process of creating the district that AB 2448 authorized them to just last year. In fact, the Mayor just signed the resolution of intent to form the district on June 12, 2025. San Francisco now has to figure out the financing plan that will guide the district's activities. Before San Francisco has proven that such a district can effectively finance commercial to residential conversions, AB 1445 expands these districts statewide. This is problematic because San Francisco has already identified various implementation challenges. First, AB 2488 allowed San Francisco to dedicate certain state revenues associated with vehicle license fees according to property valuation. However, this revenue is not determined at a parcel level, so it is unclear how San Francisco could determine the level of revenue it should allocate to these projects. AB 1445 replicates this mechanism without addressing this question. Second, AB 1445 copies from AB 2488 the requirement that revenues go back to specific buildings. But local governments assess property values at the parcel level, not the building level. San Francisco has not yet come up with a method for determining increment at a building level.

4) *Opposition.* According to the State Association of Auditor-Controllers, this bill "represents an unproved new model that needs further refinement. In San Francisco, the County Controller and County Tax Collector exist within the City's organizational structure and thus they may be able to internally coordinate to fill holes in the prior legislation. However, that is not true of other jurisdictions in which Cities may create these districts which would impose responsibilities on County Auditor-Controllers without sufficient legal structure to implement."

5) *Incoming!* This bill passed out of the Senate Local Government Committee on July 2nd on a 5-0 vote.

Related/Prior Legislation

AB 2488 (Ting, Chapter 274, Statutes of 2024) — established Downtown Revitalization and Economic Recovery Financing Districts in San Francisco.

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

POSITIONS: (Communicated to the committee before noon on Wednesday, July 9, 2025)

SUPPORT:

Abundant Housing LA
California Apartment Association
California Downtown Association
Circulate San Diego
City of Mission Viejo
Housing Action Coalition
Housing Trust Silicon Valley
Ingka Procurement LLC (IKEA)
League of California Cities
Spur
Streets for All

OPPOSITION:

California State Association of County Auditors

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