

Date of Hearing: April 15, 2026

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

AB 2110 (Johnson) – As Introduced February 18, 2026

SUBJECT: Local financing: workforce housing: tax increment financing district.

SUMMARY: Authorizes a legislative body of a city, county, city and county, or a joint powers authority (JPA) to designate one or more tax increment financing (TIF) districts for the purpose of constructing workforce housing. Specifically, **this bill:**

1) Defines the following terms:

- a) “Affected taxing entity” to mean any governmental taxing agency which levied or had levied on its behalf a property tax on all or a portion of the property located in the proposed district in the fiscal year prior to the designation of the district, but not including any county office of education, school district, or community college district. An “affected taxing entity” may include a special district if the special district is providing any portion of the funding included in the financing plan. For purposes of this bill, “special district” means an agency of the state formed for the performance of governmental or proprietary functions within limited geographic boundaries, and shall not include a school district or community college district.
- b) “Debt” to mean any binding obligation to repay a sum of money, including obligations in the form of bonds, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals.
- c) “Education personnel” has the same meaning as “teacher or school district employee,” as defined in existing law and includes:
 - i) A unified school district maintaining prekindergarten, transitional kindergarten, and grades 1 to 12, inclusive.
 - ii) An elementary school district maintaining prekindergarten, transitional kindergarten, and grades 1 to 8, inclusive.
 - iii) A high school district maintaining grades 9 to 12, inclusive, including, but not limited to, certificated and classified staff.
- d) “Financing plan” to mean a financing plan prepared and adopted pursuant to this bill.
- e) “Governing board” to mean the governing board of the district established pursuant to this bill.
- f) “Health care personnel” to mean nurses and administrative staff employed at clinics and hospitals.
- g) “Landowner” or “owner of land” to mean any person shown as the owner of land on the last equalized assessment roll or otherwise known to be the owner of the land by the

legislative body. The legislative body has no obligation to obtain other information as to the ownership of land, and its determination of ownership shall be final and conclusive for the purposes of this chapter. A public agency is not a landowner or owner of land for purposes of this chapter, unless the public agency owns all of the land to be included within the proposed district.

- h) “Lower income household” has the same meaning as defined in existing law, as specified.
 - i) “Manufacturing personnel” to mean individuals employed in a business with the primary activity of converting or conditioning tangible personal property by changing the form, composition, quality, or character of that property either for ultimate sale at retail or for use in the manufacturing of a product that will be ultimately sold at retail.
“Manufacturing” includes any improvements to tangible personal property that result in a greater service life or greater functionality than that of the original property.
 - j) “Moderate income household” has the same meaning as in existing law, as specified.
 - k) “Public safety personnel” to mean firefighters, paramedics, and emergency medical technicians.
 - l) “TIF district” or “district” to mean a TIF district formed pursuant to this bill.
- 2) Authorizes a legislative body of a city, county, city and county, or JPA to designate one or more TIF districts pursuant to this bill. Proceedings for the establishment of a district shall be instituted by the adoption of a resolution of intention to establish the proposed district and shall do all of the following:
- a) State that a TIF district is proposed to be established under the terms of this bill and describe the boundaries of the proposed district.
 - b) State the type of projects proposed to be financed by the district
 - c) State the need for the district and the goals the district proposes to achieve.
 - d) State that incremental property tax revenue from the city, county, city and county, or JPA, and some or all affected taxing entities within the district, if approved by resolution, may be used to finance these activities.
 - e) Fix a time and place for a public hearing on the proposal.
- 3) Requires the governing board of a TIF district to have specific membership, including at least two public members.
- 4) Requires the legislative body to ensure the governing board is established at the same time that it adopts a resolution of intention.
- 5) Prohibits members of the governing board from receiving compensation but they may receive reimbursement for actual and necessary expenses incurred in the performance of official duties under this bill.

- 6) Specifies that members of the governing board are subject to existing ethics training requirements; and that the legislative body is subject to the Ralph M. Brown Act's open meeting laws, the California Public Records Act, and the Political Reform Act of 1974.
- 7) Provides that any member of the legislative body of a participating affected taxing entity who serves as a member of the governing board pursuant to this bill may also serve as a member of the governing body of an agency or entity formed pursuant to an agreement for the joint exercise of power that the participating affected taxing entity has entered into in accordance with the Joint Exercise of Powers Act.
- 8) Authorizes a TIF District to finance any of the following:
 - a) Construction of residential housing, where such housing meets all of the following conditions:
 - i) At least 80% of the units in the housing development are reserved for public safety, education, health care, or manufacturing personnel. The remaining 20% may be occupied by any other tenants.
 - ii) All units are deed-restricted so that at least 70% of the units serve lower income households and the remaining 30% of the units serve moderate income households.
 - iii) The project may be single-family or multifamily housing. The project may be mixed-use development, provided that at least 80% of the square footage of the project is dedicated to residential use.
 - iv) Any existing dwelling units that are proposed to be destroyed or removed in the course of construction are replaced, and persons or families in those units are relocated, consistent with existing law, as specified.
 - b) Rehabilitation, repair, and upgrades to residential housing that meets i) through iii), inclusive, in a), above.
 - c) Planning and design work related to a) and b), above.
- 9) Provides that a TIF district shall have the authority to acquire, receive, and transfer real property and to contract with developers for purposes of carrying out activities financed pursuant to this bill. However, the district shall not have the power of eminent domain.
- 10) Specifies that if any dwelling units are proposed to be removed or destroyed in the course of construction within the area of the district that is subject to a written agreement with the district or that is financed in whole or in part by the district, the financing plan shall contain provisions in accordance with EIFD law.
- 11) Authorizes the governing board to pledge any source of revenues, in addition to any property tax revenues, to pay the principal and interest on bonds approved and issued pursuant to this bill.
- 12) Requires the legislative body to direct the city, county, city and county, or joint powers authority official, as applicable, selected by the legislative body, to mail a copy of the resolution of intention to create the district to each owner of land within the district.

- 13) Provides for alternative mailing procedures for notices to landowners and requires specified information to be included in the notices.
- 14) Requires the legislative body to direct the city, county, city and county, or joint powers authority official, as applicable, selected by the legislative body, to mail or electronically submit a copy of the resolution to each affected taxing entity.
- 15) Specifies that, after adopting the resolution pursuant to this bill, the city, county, city and county, or joint powers authority shall send a copy of the resolution to the district's governing board. The governing board shall designate and direct the city, county, or city and county engineer or other appropriate official to prepare a financing plan.
- 16) Provides that, after receipt of a copy of the resolution of intention to establish a district, the designated official shall prepare a proposed financing plan. A plan shall be proposed for the district that shall include any project areas, if proposed, within the district. The financing plan shall be consistent with the general plan, and specific plan, if applicable, of all local jurisdictions within which the district is located and shall include all of the following:
 - a) A map and legal description of the proposed district, which may include all or a portion of the district designated by the legislative body in its resolution of intention.
 - b) A description of the housing projects and other forms of development or financial assistance that are proposed in the area of the district, including those to be provided by the private sector, those to be provided by governmental entities without assistance under this chapter, those projects to be financed with assistance from the proposed district, and those to be provided jointly. The description shall include the proposed location, timing, and costs of the development and financial assistance.
 - c) A financing section, which shall contain all of the following information:
 - i) A specification of the maximum portion of the incremental tax revenue of the city, county, city and county, or entities that are a part of the joint powers authority and of each affected taxing entity proposed to be committed to the district for each year during which the district will receive incremental tax revenue. The portion need not be the same for all affected taxing entities. The portion may change over time.
 - ii) A projection of the amount of tax revenues expected to be received by the district in each year during which the district will receive tax revenues, including an estimate of the amount of tax revenues attributable to each affected taxing entity for each year.
 - iii) A plan for financing the projects to be assisted by the district, including a detailed description of any intention to incur debt.
 - iv) A limit on the total number of dollars of taxes that may be allocated to the district pursuant to the plan.
 - v) Either of the following:

- (1) A date on which the district will cease to exist, by which time all tax allocation to the district will end.
 - (2) If the district is divided into project areas, 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 with incremental tax revenues received under this chapter will end, not to exceed 45 years from the date the district or the applicable project area has actually received \$100,000 in annual incremental tax revenues under this chapter. After the time limits established under this provision, a district or project area shall not receive incremental tax revenues under this bill. If the district is divided into project areas, a separate and unique time limit shall be applicable to each project area that does not exceed 45 years from the date the district has actually received \$100,000 in incremental tax revenues under this bill from that project area.
- vi) An analysis of the costs to the city, county, city and county, or entities that are a part of the joint powers authority of providing services to the area of the district while the area is being developed and after the area is developed. The plan shall also include an analysis of the tax, fee, charge, and other revenues expected to be received by the city, county, city and county, or entities that are part of the joint powers authority as a result of expected development in the area of the district.
 - vii) An analysis of the projected fiscal impact of the district and the associated development upon each affected taxing entity.
- d) If any dwelling units within the territory of the district are proposed to be removed or destroyed in the course of public works construction within the area of the district or private development within the area of the district that is subject to a written agreement with the district or that is financed in whole or in part by the district, a plan providing for replacement of those units and relocation of those persons or families consistent with the requirements of this bill.
 - e) The goals the district proposes to achieve for each project financed.
- 17) Requires the financing plan to be sent to each owner of land within the proposed district and to each affected taxing entity together with any report required by the California Environmental Quality Act that pertains to the proposed development project or projects and to be made available for public inspection. The report shall also be sent to the governing board, the planning commissions of affected cities, counties, and cities and counties, and the legislative bodies of all affected local government entities.
 - 18) Provides that the designated official shall consult with each affected taxing entity, and, at the request of any affected taxing entity, shall meet with representatives of an affected taxing entity. Any affected taxing entity may suggest revisions to the plan.
 - 19) Requires the draft financing plan to be made available to the public and to each landowner within the area on a designated internet website and at a meeting held at least 30 days before the first public hearing. The purposes of the meeting shall be to allow the staff of the governing board to present the draft financing plan, answer questions about the financing

plan, and consider comments about the financing plan.

- 20) Specifies that the governing board shall consider adoption of the financing plan at two public hearings that shall take place at least 30 days apart.
- 21) Requires, in addition to the notice given to landowners and affected taxing entities, the governing board to post notice of each meeting or public hearing required by this bill in an easily identifiable and accessible location on the district's internet website and shall mail a written notice of the meeting or public hearing to each landowner, each resident, and each taxing entity at least 10 days before the meeting or public hearing.
- 22) Specifies that, at the first public hearing, the governing board shall consider any written and oral comments and take action to modify or reject the financing plan.
- 23) Provides that, if the financing plan is not rejected at the first public hearing, then the governing board shall conduct a protest proceeding at the second public hearing to consider whether the landowners and residents within the financing plan area wish to present oral or written protests against the adoption of the financing plan.
- 24) Requires the notices required by this bill to do all of the following, as applicable:
 - a) Describe specifically the boundaries of the proposed area.
 - b) Describe the purpose of the financing plan.
 - c) State the day, hour, and place when and where any and all persons having any comments on the proposed financing plan may appear to provide written or oral comments to the governing board.
 - d) Notice of the first public hearing shall include a summary of the financing plan and shall identify a location accessible to the public where the financing plan proposed to be presented at the first public hearing can be reviewed.
 - e) Notice of the second public hearing to consider any written or oral protests shall contain a copy of the financing plan, and shall inform the landowner and resident of their right to submit an oral or written protest before the close of the public hearing. The protest may state that the landowner or resident objects to the governing board taking action to implement the financing plan.
- 25) Specifies that, at the second public hearing, the governing board shall consider all written and oral protests received before the close of the public hearing along with the recommendations, if any, of affected taxing entities, and shall terminate the proceedings or adopt the financing plan subject to confirmation by the voters at an election called for that purpose. The governing board shall terminate the proceedings if there is a majority protest. A majority protest exists if protests have been filed representing over 50% of the combined number of landowners and residents in the area who are at least 18 years of age. An election shall 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.

- 26) Requires an election required pursuant to 25), above, to be held within 90 days of the public hearing and may be held by mail-in ballot. The governing board shall adopt, at a duly noticed public hearing, procedures for this election.
- 27) Specifies that, if a majority of the landowners and residents vote against the financing plan, then the governing board shall not take any further action to implement the proposed financing plan. The governing board shall not propose a new or revised financing plan to the affected landowners and residents for at least one year following the date of an election in which the financing plan was rejected.
- 28) Provides that, at the hour set in the required notices, the governing board shall consider all written and oral comments.
- 29) Specifies that, if less than 25% of the combined number of landowners and residents in the area who are at least 18 years of age file a protest, the governing board may adopt the financing plan at the conclusion of the second public hearing by resolution. The resolution adopting the financing plan shall be subject to referendum as prescribed by law.
- 30) Requires the governing board to consider and adopt an amendment or amendments to a financing plan in accordance with the provisions of this bill.
- 31) Specifies that a separate notice of the first public hearing shall also be published not less than once per week for four successive weeks before the first public hearing in a newspaper of general circulation published in the county or counties in which the area lies. The notice shall state that the district will be used to finance housing developments, briefly describe the development or developments, briefly describe the proposed financial arrangements, including the proposed commitment of incremental tax revenue, describe the boundaries of the proposed district, and state the day, hour, and place when and where any persons having any objections to the proposed financing plan, or the regularity of any of the prior proceedings, may appear before the governing board and object to the adoption of the proposed plan by the legislative body.
- 32) Requires a separate notice of the second public hearing to also be published not less than 10 days before the second public hearing in a newspaper of general circulation in the county or counties in which the area lies. The notice shall include the same information as described in 31), above.
- 33) Specifies that the governing board shall review the financing plan at least annually and make any amendments that are necessary and appropriate, and shall require the preparation of an annual independent financial audit paid for from revenues of the district.
- 34) Provides that amendments to an approved financing plan, including proposals to finance additional housing developments or to add a participating taxing entity and its representatives as members of the governing board after the date of district formation, may be approved by a majority vote of the governing board at a public hearing held following the provision of a 30-day mailed notice describing the proposed changes to all property owners, residents, and affected taxing entities.
- 35) Requires amendments that propose any of the following to be adopted in accordance with all notices and hearing requirements for the affected landowners and residents within the

proposed additional territory applicable to an initial proposed financing plan:

- a) Addition of new territory to a district.
 - b) Increase of the limit of the total number of dollars in local taxes allocated to the plan, except where the increase is a result of an affected taxing entity agreeing to participate in the existing district and the plan is amended pursuant to 34), above.
 - c) Approval of a development that was not proposed to be financed or assisted by the district in the approved plan.
- 36) Requires the governing board to adopt an annual report within seven months of the close of each fiscal year, after holding a public hearing. Written copies of the draft report shall be made available to the public 30 days before the public hearing. The legislative body shall cause the draft report to be posted in an easily identifiable and accessible location on the district's internet website and shall mail a written notice of the availability of the draft report on the internet website to each owner of land and each resident within the area covered by the financing plan and to each taxing entity that has adopted a resolution pursuant to this chapter.
- 37) Specifies that the annual report shall contain all of the following:
- a) A description of the projects undertaken in the fiscal year, including any rehabilitation of structures, and a comparison of the progress expected to be made on those projects compared to the actual progress.
 - b) A chart comparing the actual revenues and expenses, including administrative costs, of the district to the budgeted revenues and expenses.
 - c) The amount of tax increment revenues received.
 - d) An assessment of the status regarding completion of the district's projects.
- 38) Provides that, if the governing board fails to provide the annual report required by 37), above, the district shall not spend any funds received pursuant to a resolution adopted pursuant to this chapter until the governing board has provided the report.
- 39) Specifies that the governing board shall not adopt a resolution proposing formation of a district and providing for the division of taxes of any affected taxing entity unless a resolution approving the plan has been adopted by the governing body of each affected taxing entity that is proposed to be subject to division of taxes and has been filed with the legislative body at or before the time of the hearing.
- 40) Provides that nothing in this bill shall be construed to prevent the governing board from amending its financing plan and adopting a resolution proposing formation of the financing district without allocation of the tax revenues of any affected taxing entity that has not approved the infrastructure financing plan by resolution of the governing body of the affected taxing entity.

- 41) Specifies that, at any time after the date of district formation, an affected taxing entity may choose to approve the plan and participate in the division of taxes used to finance the activities of a district, by adopting a resolution of the governing body.
- 42) Provides that, if, after the date of district formation, an affected taxing entity adopts a resolution approving the plan and to participate in the division of taxes used to finance a district, the division of taxes shall be based upon the last equalized assessment roll that is used for the district pursuant to this bill.
- 43) Specifies that, at the conclusion of the required hearings, the governing board may adopt a resolution proposing adoption of the financing plan, as modified, and formation of the district in a manner consistent with this bill, or it may adopt a resolution abandoning the proceedings. If the proceedings are abandoned, then the district shall cease to exist by operation of this bill with no further action required of the governing board, and the governing board shall not enact a resolution of intention to establish a district that includes the same geographic area within one year of the date of the resolution abandoning the proceedings.
- 44) Provides that the financing plan shall take effect upon the adoption of the resolution. The financing plan shall specify if the district shall be funded solely through the district's share of tax increment, governmental or private loans, grants, bonds, assessments, fees, or some combination thereof. However, the district shall not issue bonds before the adoption of a resolution meeting the requirements to issue bonds to finance the financing plan.
- 45) Specifies that, except as otherwise provided in this bill, the provisions of law regulating elections of the local agency that calls an election, insofar as they may be applicable, shall govern all elections conducted pursuant to this bill.
- 46) Provides requirements for the election official conducting the election to follow for mail ballot elections.
- 47) Specifies alternative procedures that can be used when the designated official is required to mail certain documents.
- 48) Requires specified notices required by this bill to be provided in English and in all other languages spoken jointly by 20% or more of the population in the jurisdiction of the county of the proposed district that speaks English less than "very well" and jointly speaks a language other than English according to data from the most recent American Community Survey or data from an equally reliable source.
- 49) Specifies that any financing plan to contain a provision that taxes, if any levied upon taxable property in the area included within the TIF district each year by or for the benefit of the State of California, or any affected taxing entity after the effective date of a specified ordinance to create the district, shall be divided, as specified.
- 50) Requires all costs incurred by a county in connection with the division of taxes for a district to be paid by that district.

- 51) Authorizes the governing board to, by majority vote, initiate proceedings to issue bonds pursuant to this bill by adopting a resolution stating its intent to issue the bonds.
- 52) Requires the resolution in 51) above, to contain specified information.
- 53) Provides that the clerk of the governing board shall publish the adopted resolution once per day for at least seven successive days in a newspaper published in the jurisdiction of each city, county, or city and county within the jurisdiction of the district at least six days per week, or at least once per week for two successive weeks in a newspaper published in the jurisdictions of each city, county, or city and county within the jurisdiction of the district less than six days per week. If there are no newspapers meeting these criteria, the resolution shall be posted in three public places within the jurisdictions of each city, county, or city and county within the jurisdiction of the district for two succeeding weeks.
- 54) Requires the governing board to submit the proposal to issue the bonds to the voters who reside within the district. The election shall be conducted in the same manner as the election to create the district and the two elections may be consolidated.
- 55) Specifies that the bonds may be issued if two-thirds of the voters voting on the proposition vote in favor of issuing the bonds.
- 56) Provides that, if the voters approve the issuance of the bonds as provided by subdivision (a), the governing board shall proceed with the issuance of the bonds by adopting a resolution that contains specified information.
- 57) Specifies that, if any proposition submitted to the voters pursuant to this bill is defeated by the voters, the governing board shall not submit, or cause to be submitted, a similar proposition to the voters for at least one year after the first election.
- 58) Authorizes the governing board to, by majority vote, provide for refunding of bonds issued pursuant to this bill. However, refunding bonds shall not be issued if the total net interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds exceeds the total net interest cost to maturity on the bonds to be refunded. The governing board shall not extend the time to maturity of the bonds.
- 59) Provides that the governing board or any person executing the bonds shall not be personally liable on the bonds by reason of their issuance. The bonds and other obligations of a district issued pursuant to this bill are not a debt of the city, county, city and county, joint powers authority, or state or of any of its political subdivisions, other than the district, and none of those entities, other than the district, shall be liable on the bonds and the bonds or obligations shall be payable exclusively from funds or properties of the district. The bonds shall contain a statement to this effect on their face. The bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation.
- 60) Specifies that, if any member of the governing board whose signature appears on bonds ceases to be a member of the governing board before delivery of the bonds, their signature is as effective as if they had remained in office. Bonds issued pursuant to this chapter are fully negotiable.

- 61) Requires the district's finances to be subject to audit by the Controller every five years, commencing with the date the district allocates a cumulative total of \$1,000,000 in tax increment revenues.
- 62) Contains other clarifying and technical provisions.
- 63) Provides that no reimbursement is required by this bill for certain costs that may be incurred by a local agency or school district because, in that regard, this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, or changes the definition of a crime. However, if the Commission on State Mandates determines that this act contains other costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made.

FISCAL EFFECT: This bill is keyed fiscal and contains a state-mandated local program.

COMMENTS:

- 1) **Bill Summary.** This bill authorizes a city, county, city and county, or JPA to designate one or more TIF districts to finance the construction of workforce housing. This bill requires the agency forming the TIF district to adopt a resolution describing the intent, boundaries, projects, and goals for the district, as well as whether it intends to use property tax increment to finance projects. This bill specifies the membership of the governing board of the district and requires the governing board to be subject to existing ethics training requirements, open meeting laws, the California Public Records Act, and the Political Reform Act of 1974.

This bill allows a TIF district to finance the construction of residential housing where at least 80% of the units are reserved for public safety, education, health care, or manufacturing personnel. The units must all be deed-restricted so that at least 70% of the units serve lower income households and the remaining 30% of the units serve moderate income households. The project may be single-family or multifamily housing and may be a mixed-use development where at least 80% of the square footage of the project is dedicated to residential use. This bill authorizes a TIF district to acquire, receive, and transfer real property but not through eminent domain.

This bill establishes the process for establishing a TIF district and the adoption of a financing plan, which requires the participation of the public through a protest process. This bill also provides for a process to amend the plan, requires the district to adopt an annual report, and requires that the district's finances be subject to an audit by the Controller every five years, commencing with the date the district allocates a total of \$1,000,000 in tax increment revenues.

This bill also prohibits the agency forming the TIF district from adopting a resolution providing for the division of taxes of any affected taxing unless a resolution approving the plan has been adopted by the governing body of each taxing entity proposed to be subject to the division of taxes. A district must follow the procedures for the division of taxes described in this bill.

Lastly, this bill requires the governing board of the district to submit any proposal to issue bonds to the voters who reside within the district and the bonds may be issued if two-thirds of the voters approve the issuance of bonds.

The Author is the sponsor of this bill.

- 2) **Author’s Statement.** According to the author, “California’s housing crisis has become a structural barrier that threatens the functioning of our public and private services. Essential public safety and manufacturing workers are being systematically priced out of the neighborhoods they serve. Traditional affordable housing programs often overlook these working professionals, leaving those earning between 80% and 120% of the Area Median Income with few subsidies to bridge the gap between their purchasing power and the high cost of living.

“AB 2110 provides local governments with a market-flexible, non-tax-increasing tool to directly address this stability gap. By authorizing a specialized form of tax increment financing, we empower our cities and counties to invest in their own essential human infrastructure without relying on state grants or imposing new tax burdens on residents. This measure is a strategic evolution in local finance that ensures the people who make California’s economy and communities possible can actually afford to live in them.”

- 3) **Local Infrastructure Financing.** Funding and financing local government infrastructure is a core responsibility for local governments. The ways in which local governments have addressed these responsibilities has changed over time. Until voters passed Proposition 13 in 1978, cities, counties, and special districts could generally set property tax rates on property within its jurisdiction without an aggregate cap. Local governments received property tax revenue resulting from the appropriate property tax rate fixed by the local governments, and could use that revenue to build infrastructure projects and meet other needs. If a local government wanted to pay to build infrastructure in an area it planned to develop, it could increase its property tax rates to pay for those projects. Local governments could also enact taxes by ordinance. Proposition 13 both limited the maximum amount of any ad valorem tax on real property at 1% of full cash value, and imposed voter approval requirements for local taxes. Despite the notable benefits to property owners, these changes hampered local governments’ ability to address infrastructure needs related to new development.
- 4) **Redevelopment.** Article XVI, Section 16 of the California Constitution authorizes the Legislature to provide for the formation of RDAs to eliminate blight in an area by means of a self-financing schedule that pays for the redevelopment project with tax increment derived from any increase in the assessed value of property within the redevelopment project area (or tax increment). Generally, property tax increment financing involves a local government forming a tax increment financing district to issue bonds and use the bond proceeds to pay project costs within the boundaries of a specified project area. To repay the bonds, the district captures increased property tax revenues that are generated when projects financed by the bonds increase assessed property values within the project area.

To calculate the increased property tax revenues captured by the district, the amount of property tax revenues received by any local government participating in the district is “frozen” at the amount it received from property within a project area prior to the project area’s formation. In future years, as the project area’s assessed valuation grows above the frozen base, the resulting additional property tax revenues — the so-called property tax “increment” revenues — flow to the tax increment financing district instead of other local governments. After the bonds have been fully repaid using the incremental property tax revenues, the district is dissolved, ending the diversion of tax increment revenues from

participating local governments.

Prior to Proposition 13, very few RDAs existed; however, after its passage, RDAs became a source of funding for a variety of local infrastructure activities. Eventually, RDAs were required to set aside 20% of funding generated in a project area to increase the supply of low and moderate income housing in the project areas. At the time RDAs were dissolved, the Controller estimated that statewide, RDAs were obligated to spend \$1 billion on affordable housing. At the time of dissolution, over 400 RDAs statewide were diverting 12% of property taxes, over \$5.6 billion yearly.

In 2011, facing a severe budget shortfall, the Governor proposed eliminating RDAs in order to deliver more property taxes to other local agencies. Ultimately, the Legislature approved and the Governor signed two measures, ABX1 26 (Blumenfield), Chapter 5 and ABX1 27 (Blumenfield), Chapter 6 that together dissolved RDAs as they existed at the time and created a voluntary redevelopment program on a smaller scale. In response, the California Redevelopment Association (CRA) and the League of California Cities, along with other parties, filed suit challenging the two measures. The Supreme Court denied the petition for peremptory writ of mandate with respect to ABX1 26. However, the Court did grant CRA's petition with respect to ABX1 27. As a result, all RDAs were required to dissolve as of February 1, 2012.

- 5) **Attempts to Replace RDAs.** After the Supreme Court's 2011 Matosantos decision dissolved all RDAs, legislators enacted several measures creating new tax increment financing tools to pay for local economic development. The Legislature authorized the creation of EIFDs [SB 628 (Beall), Chapter 785, Statutes of 2014] quickly followed by CRIAs [AB 2 (Alejo), Chapter 319, Statutes of 2015]. Similar to EIFDs, CRIAs use tax increment financing to fund infrastructure projects. CRIAs may currently only be formed in economically depressed areas.

The Legislature has also authorized the formation of affordable housing authorities (AHAs), which may use tax increment financing exclusively for rehabilitating and constructing affordable housing and also do not require voter approval to issue bonds [AB 1598 (Mullin), Chapter 764, Statutes of 2017]. SB 961 (Allen), Chapter 559, Statutes of 2018, removed the vote requirement for a subset of EIFDs to issue bonds and required these EIFDs to instead solicit public input, and AB 116 (Ting), Chapter 656, Statutes of 2019, removed the voter requirement for any EIFD to issue bonds in favor of a formal protest process. SB 852 (Dodd), Chapter 266, Statutes of 2022, created climate resilience districts (CRDs), which can also utilize tax-increment financing. CRDs were also given the authority to issue general obligation bonds and impose special taxes. In response to recent fires in California, SB 782 (Perez), Chapter 552, Statutes of 2025, created a subcategory of climate resilience districts (CRDs) to finance disaster recovery efforts.

While these entities share fundamental similarities with RDAs in terms of using various forms of tax-increment financing, they differ in two significant aspects, 1) not having access to the school's share of property tax increment, and 2) not automatically including the tax increment of other taxing entities.

- 6) **EIFD Law.** EIFDs are the most commonly used infrastructure financing tool created since the dissolution of RDAs, and many of this bill's provisions are substantially similar to

provisions in EIFD Law. To create an EIFD, the legislative body of a city or county must adopt a resolution of intention to establish the EIFD. The resolution must state a time and place for a hearing on the proposal, the proposed district's boundaries, the types of facilities and development to be financed, the need for the district, the goals the district proposes to achieve, and that incremental property tax revenues may be used to finance the EIFD's activities.

An EIFD is governed by a public financing authority (PFA) with three members of each participating taxing entity's legislative body and a minimum of two public members. Member agencies can also appoint an alternate member from their legislative body. If at least three taxing entities participate in the district, they can agree to reduce the district's governing board to one member and one alternate member of each legislative body and a minimum of two public members.

The city or county must create the PFA at the same time it adopts the resolution of intention. The PFA then provides public notice and directs an official to prepare an infrastructure financing plan. This process requires the PFA to make the draft infrastructure financing plan available to the public and to each landowner within the area at least 30 days before noticing the first public meeting.

- 7) **What can EIFDs Finance?** EIFDs can finance public capital facilities or other specified projects of communitywide significance that provide significant benefits to the district or the surrounding community with an estimated useful life of 15 years or more. EIFDs may also finance projects that include:
- 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) Child care facilities.
 - f) Libraries.
 - g) Parks, recreational facilities, and open space.
 - h) The acquisition, construction, or rehabilitation of housing for persons of very low, low, and moderate income for rent or purchase.
 - i) Acquisition, construction, or repair of commercial structures by the small business occupant of such 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, among others.

The EIFD must not use bond proceeds to finance maintenance of any kind, and must not finance costs for ongoing operations or providing services.

- 8) **Workforce Housing.** Existing law allows cities, counties and school districts to build and provide employee rental housing. Generally, for cities and counties, employees must be an employee of the local agency, the state or any political subdivision, special district, including a school district, or any other local government entity, or an employee of a public or private utility whom the legislative body has determined performs a function essential to the public health, safety or welfare. The city or county may issue bonds for the construction of the housing. Current law also requires not less than 20% of the total number of units of housing for rent to be for occupancy on a priority basis by lower income households at affordable rents.

In 2016, SB 1413 (Leno), Chapter 732, Statutes of 2016, established the Teacher Housing Act of 2016 to facilitate the acquisition, construction, rehabilitation, and preservation of affordable housing for teachers and school employees. School districts are authorized to establish and implement programs that address the housing needs of teachers, school district employees, nonprofit organization employees, and other local public employees or other members of the public, by leveraging funding sources including state, federal, local, public, private and resources available to housing developers, promoting public and private partnerships, and fostering innovative financing opportunities. SB 1413 also created a state policy supporting the use of federal and state Low Income Housing Tax Credits to fund housing for teachers and school district employees on land owned by the school district and permitting school districts to restrict occupancy to teachers and school district employees. At least a majority of the rental housing must be affordable to people or families of low or moderate income. In 2020, the Legislature expanded the Teacher Housing Act to allow all local public employees, or other members of the public, to occupy housing developed by school districts under the Teacher Housing Act [AB 3308, (Gabriel), Chapter 199, Statutes of 2020. AB 2967 (Ting), Chapter 748, Statutes of 2024, expanded the Teacher Housing Act to cover specified nonprofit organization employees.

- 9) **Joint Exercise of Powers Act.** JPAs have existed in California for nearly 100 years, and were originally created to allow multiple local governments in a region to pool resources to meet common needs. The Act authorizes federal, state and local agencies to create and use a JPA, which is a legal document that allows the contracting parties to exercise powers that are common to all of the contracting parties. A JPA can be administered by one of the contracting agencies, or it can be carried out by a new, separate public entity called a joint powers authority.

JPA's are an attractive tool for local governments because they facilitate more efficient service provision through collaboration, and they allow local entities to issue some bonds without voter ratification. There are a few, limited instances in JPA law allowing non-governmental entities to join a JPA with a public agency partner.

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

- a) **JPAs.** JPAs are abundant in California and provide many diverse services. For instance, some JPAs only provide insurance while others only provide financing. State agencies, tribes, and, in some instances, nonprofit organizations can be a part of a JPA. However, it is not clear how many JPAs, if any, receive a share of the ad valorem property tax this bill would utilize to provide tax increment financing. While the individual local agencies

that make up a JPAs might receive property tax, not all members of a JPA may approve of being a part of a tax increment financing district that this bill would allow. EIFDs, and all of the other post-RDA tools, are voluntary. Additionally, not all JPAs may be interested in providing funding for workforce housing. The Committee may wish to consider if JPAs should be allowed to participate in a tax increment financing district as stated in this bill.

- b) **What Revenue?** This bill says, “The governing board may pledge any source of revenues, in addition to any property tax revenues, to pay the principal and interest on bonds approved and issued pursuant to this chapter.” While some post-RDA tools can pledge assessments or local sales tax revenue, it is not clear what is meant by this provision. Does this mean that a district can pledge revenue from other agencies that are not members of the district? Or does it mean that the district can pledge revenues that otherwise may be restricted like a special tax? Given these questions, the Committee may wish to consider if this provision should be removed.
- c) **When Will it End?** Like RDAs, EIFDs and other post-RDA tools are required to have an end date. Typically, the required end date is 45 years after the date in which an infrastructure financing district first issues bonds or raises enough revenue to be start financing projects. However, this bill does not require an end date. The Committee may wish to consider if the same 45-year time period restriction should be added to this bill.
- d) **What’s the Difference?** Much of this bill is almost identical to EIFD law, including the governing board structure, the process for adopting and amending a financing plan, requirements for dividing property taxes for tax increment financing, and more. However, some important provisions of EIFD law have been left out of this bill like a requirement for an independent financial and performance audit, restriction on those cities or counties that did not receive a finding of completion after RDA dissolution and limits on how much a district can spend on planning and dissemination of information. The Committee may wish to consider if additional safeguards to more closely resemble EIFD Law should be added to this bill.
- e) **Will it Work?** SB 961 (Allen), Chapter 559, Statutes of 2018, required the Governor’s Office of Planning and Research (OPR) to, on or before January 1, 2021, complete a study and make recommendations on (1) the effectiveness of tax increment financing tools, and (2) the relative advantages and disadvantages of different types of tax increment financing tools. The first report identified several key limitations current tax increment financing districts share, including the limited revenue potential to make district formation worthwhile. In addition, unlike RDAs, where taxing entity participation was mandatory, current tax increment financing districts rely on volunteer participation, and they have limited powers compared to RDAs. The reports found that, despite the multitude of tax increment financing tools available for local agencies to choose from, only five EIFDs had been created by the end of 2020.

While the number of EIFDs has grown in recent years, and despite the authority to finance infrastructure with tax increment financing, these financing mechanisms have been used relatively infrequently in part because they do not have access to the school share of property tax increment like RDAs did. This bill does not give this new financing tool substantial new powers that these other districts do not have. In fact, this bill places

additional requirements on districts that other post-RDA tools do not have to follow. For instance, this bill requires a two-thirds vote of the voters in order to issue bonds where EIFDs and other tools do not have to meet this requirement. The Committee may wish to consider if creating a new type of infrastructure financing district with additional restrictions will be as successful as existing tools in helping local agencies address their infrastructure needs.

- f) **Haven't we Seen this Before?** EIFD, AHA, and CRIA Law already authorize the financing of affordable housing. Should the Legislature instead make it clear that these other financing tools can finance workforce housing? The Committee may wish to consider if adding workforce housing to the types of projects existing post-RDA tools may finance is more prudent.

11) **Committee Amendments.** In response to the policy considerations above, the Committee may wish to amend this bill as follows:

- a) Remove JPAs from the bill.
- b) Remove the requirement that the public members of the governing board be public safety, education, health care, or manufacturing personnel.
- c) Remove Section 53397.50.3.2.
- d) Add 45-year time period for when a district will end.
- e) Add provisions to be more consistent with the requirements in EIFD Law.

12) **Related Legislation.** AB 2263 (Kalra) authorizes the Santa Clara Valley Transportation Authority to construct housing for employees, as specified. This bill is currently in the Assembly Transportation Committee.

13) **Arguments in Support.** None on file.

14) **Arguments in Opposition.** None on file.

15) **Double-referral.** This bill has been double-referred to the Assembly Committee on Housing and Community Development.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

None on file

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