

ASSEMBLY THIRD READING

AB 2110 (Johnson)

As Amended April 16, 2026

Majority vote

SUMMARY

Authorizes a legislative body of a city, county, or city and county to designate one or more tax increment financing (TIF) districts for the purpose of constructing workforce housing.

Major Provisions

- 1) Authorizes a city, county, or city and county to designate one or more TIF districts to finance the construction of workforce housing.
- 2) 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 revenues to finance projects.
- 3) 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.
- 4) 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.
- 5) This bill authorizes a TIF district to acquire, receive, and transfer real property but not through eminent domain.
- 6) 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, and provides for a process to amend the plan.
- 7) Requires the district to adopt an annual report and requires that the district's finances be subject to an audit by the State Controller every five years, commencing with the date the district allocates a total of \$1 million in tax increment revenues.
- 8) 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.
- 9) Requires the governing board of the district to submit any bond issuance proposal to the voters who reside within the district, and authorizes issuance only upon approval of two-thirds of the voters.

COMMENTS

- 1) *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.
- 2) *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.

- 3) *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.

- 4) *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.

- 5) *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.

According to the Author

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."

Arguments in Support

None on file.

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Assembly Appropriations Committee:

- 1) General Fund costs to the State Controller to perform an audit of a district's finances every five years commencing with the date the district allocates a cumulative total of \$1 million in tax increment revenues are likely infrequent and absorbable.
- 2) Local costs to county auditors of an unknown amount to reallocate property tax revenues pursuant to this bill. These costs are not likely reimbursable by the state, subject to a determination by the Commission on State Mandates, because counties may levy fees, service charges, or assessments to cover the cost of these services.
- 3) Other local costs incurred as the result of the formation of a TIF district, either by a district or other affected local entities are not reimbursable by the state.

VOTES**ASM LOCAL GOVERNMENT: 10-0-0**

YES: Carrillo, Ta, Johnson, Pacheco, Ramos, Ransom, Blanca Rubio, Stefani, Ward, Wilson

ASM HOUSING AND COMMUNITY DEVELOPMENT: 12-0-0

YES: Haney, Patterson, Ávila Farías, Caloza, Garcia, Kalra, Lee, Quirk-Silva, Ta, Tangipa, Wicks, Wilson

ASM APPROPRIATIONS: 15-0-0

YES: Wicks, Hoover, Bauer-Kahan, Calderon, Caloza, Ellis, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

UPDATED

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CONSULTANT: Jimmy MacDonald / L. GOV. / (916) 319-3958

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