
SENATE COMMITTEE ON LOCAL GOVERNMENT

Senator María Elena Durazo, Chair

2025 - 2026 Regular

Bill No: AB 2110
Author: Johnson
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Fiscal: Yes
Consultant: Peterson

LOCAL FINANCING: WORKFORCE HOUSING: TAX INCREMENT FINANCING DISTRICT

Creates Workforce Housing Enhanced Infrastructure Financing Districts (WHEIFDs).

Background

Enhanced Infrastructure Financing Districts. From the early 1950s until they were dissolved in 2011, California redevelopment agencies (RDAs) used property tax increment financing to pay for economic development projects in blighted areas pursuant to the provisions of the Community Redevelopment Law. Generally, property tax increment financing involves a local government forming a tax increment financing (TIF) 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 agency 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—flows to the TIF district instead of other local agencies. After the TIF district fully repays the bonds using the incremental property tax revenues, the district dissolves, ending the diversion of tax increment revenues from participating local agencies.

Following their dissolution, local officials sought other ways to use TIF to raise the capital they need to fund public works projects. In response, the Legislature enacted SB 628 (Beall, 2014) to allow local officials to create Enhanced Infrastructure Financing Districts (EIFDs), which augment the tax increment financing powers available to local agencies under existing infrastructure financing district statutes. While the Legislature has created other similar financing tools, they have seldom, or never, been used.

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, like infrastructure. To do this, they must follow a specific process for adopting an infrastructure financing plan (IFP) so that the public is aware of the projects the district intends to finance.

In addition to construction costs, EIFDs can finance: (1) planning and design work, (2) displacement of affordable housing residents, (3) defending the district against protests over existence or plans, and (4) the ongoing or capitalized costs to maintain the projects the district

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

EIFDs can finance the acquisition, construction, or rehabilitation of housing for lower- and moderate-income households, for rent or purchase. EIFDs can finance mixed-income housing developments, but funds can only go to units deed-restricted for lower- and moderate-income households, and those onsite facilities for childcare, after school care, and social services that are integrally linked to the lower- and moderate-income households.

The author wants to create an EIFD that can fund housing projects for education, public safety and manufacturing workers.

Proposed Law

Assembly Bill 2110 creates Workforce Housing Enhanced Infrastructure Financing Districts (WHEIFDs). This subtype of EIFDs is different from traditional EIFDs in that they have the explicit authority to finance housing developments for public safety, education, health care, or manufacturing personnel. Unlike traditional EIFDs:

- WHEIFDs must require one of the following:
 - At least 80% of 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; or
 - 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.
- WHEIFDs may finance single-family or multifamily housing. The project may be a mixed-use development, provided that at least 80% of the square footage of the project is dedicated to residential use;
- WHEIFDs can issue bonds, but must get 2/3 voter approval to do so.

Comments

1. Purpose of the bill. 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.”

2. Why EIFDs or WHEIFDs? Proposition 13 (1978) capped property tax rates at 1% of assessed value (which only changes upon new construction or when ownership changes). If properties do not get reassessed, the Constitution caps growth at 2% per year. The general theory behind TIF is that a local agency creates a district because it expects significant property tax growth generated through reassessments when property changes hands or is improved. Otherwise, a TIF district only receives the increment that comes from the 2% growth, which may not be sufficient to generate enough revenue to finance significant infrastructure projects in a timely fashion. When the TIF district uses these resources to finance infrastructure projects, it can springboard additional property tax growth. In other words, the TIF district pays for itself. When RDAs existed, they had at least two important advantages over current TIF districts. First, they received increment from the school share of property tax revenue, which the state backfilled from the General Fund in many cases. Second, they received increment that would have otherwise gone to other local agencies without their approval. This generated billions of dollars in additional funds that cities and counties could only access through redevelopment. Even with these key features, research has found that RDAs generally did not generate enough growth in property values to justify the property tax revenue they received. For example, a Public Policy Institute of California study on 38 different RDA projects found that, “Across all the projects, the RDAs generated just 51 percent of their tax increment revenues in fiscal year 1994–1995. This means that other governments—the state, counties, and special districts—provided subsidies to these RDAs of over \$38 million that year (after accounting for pass-through payments).”¹ This research suggests that TIF districts, like WHEIFDs, won’t effectively finance infrastructure projects without a subsidy.

3. Coming and going. The Senate Rules Committee has ordered a double referral of AB 2110: first to the Committee on Local Government to hear issues related to local government powers, and second to the Committee on Housing.

Assembly Actions

Assembly Committee on Local Government:	10-0
Assembly Committee on Housing and Community Development:	12-0
Assembly Committee on Appropriations:	15-0
Assembly Floor:	72-0

Support and Opposition (6/12/2026)

Support: The California Baptist Capitol Ministry

Opposition: None Submitted

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¹ Michael Dardia, Subsidizing Redevelopment in California (Public Policy Institute of California: January 1998). http://www.ppic.org/content/pubs/report/R_298MDR.pdf