

CONCURRENCE IN SENATE AMENDMENTS

AB 2308 (Haney)

As Amended August 4, 2026

Majority vote

SUMMARY

Allows the successor agency to the former San Francisco redevelopment agency (RDA) to extend its authority to issue bonds to finance infrastructure required by the Transbay Implementation Agreement (TIA) by specifying that arrangements to extend the time period for pledges of gross sales proceeds and tax increment entered into with the Transbay Joint Powers Authority (TJPA) and San Francisco are included within its existing authority to issue bonds for these purposes.

Senate Amendments

- 1) Specify that, for the purposes of this bill, "net tax increment" excludes all of the following:
 - a) Administrative charges, fees, or costs for the City and County of San Francisco.
 - b) The portion of the tax increment revenues that the successor agency to the RDA of the City and County of San Francisco is required by law to set aside in the agency's Affordable Housing Fund pursuant to law.
 - c) A portion of the net tax increment revenues equal to the percentage of the revenue that the successor agency to the RDA of the City and County of San Francisco is required to pay all governmental entities as required by law.
 - d) The portion of the tax increment revenues equal to the percentage of the revenues that the State of California may mandate the successor agency to the RDA of the City and County of San Francisco to pay from time to time in the future, including any payments which the successor agency to the RDA of the City and County of San Francisco may be required to pay to the Education Revenue Augmentation Fund pursuant to law.
 - e) The portion of the tax increment revenues equal to the percentage of the revenues that the successor agency to the RDA of the City and County of San Francisco would otherwise pay to school entities, including the Education Revenue Augmentation Fund, pursuant to existing law after the effective term of the existing pledge of net tax increment.

COMMENTS

- 1) *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 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 that would have received those funds absent the formation of the RDA. After the bonds have been fully repaid using the incremental property tax revenues, the RDA 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. RDAs were required to set-aside approximately 20% of funding generated in a project area to increase the supply of low and moderate income housing in the project areas [AB 3674 (Montoya), Chapter 1337, Statutes of 1976]. At the time of dissolution, over 400 RDAs statewide were diverting roughly 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.

- 2) *RDA Dissolution.* ABX1 26 established successor agencies to manage the process of unwinding former RDA affairs, generally prohibited RDAs from incurring new or expanding existing monetary or legal obligations, and removed the authority for RDAs to engage in most activities except continuing to pay off enforceable obligations. With the exception of seven cities, the city or county that created each former RDA now serves as that RDA's successor agency. One of a successor agency's primary responsibilities is to make payments for the enforceable obligations RDAs entered into. These payments are supported by property tax revenues that would have gone to RDAs, but are instead deposited in the Redevelopment Property Tax Trust Fund (RPTTF). Enforceable obligations include bonds, bond-related payments, some loans, payments required by the federal government, obligations to the state or imposed by state law, payments to RDA employees, judgements or settlements, and other legally binding and enforceable agreements or contracts. Any remaining property tax revenues that exceed these enforceable obligations return to cities, counties, special districts, and school and community college districts to support core services.

Each successor agency has an oversight board responsible for supervising and approving its actions. The Department of Finance (DOF) can review and request reconsideration of an oversight board's decision. Once a successor agency takes over for an RDA, it reviews the RDA's outstanding assets and obligations, and develops a plan to resolve those obligations, also known as a Recognized Obligation Payment Schedule (ROPS). To obtain required DOF

approval, a successor agency submits a series of ROPS to DOF. If DOF agrees with the plan, it issues a Finding of Completion acknowledging their progress towards paying off their obligations. Successor agencies issued a Finding of Completion can submit a Last and Final ROPS, meaning that (1) the remaining debt is limited to administrative costs and payments pursuant to enforceable obligations with defined payment schedules, (2) all remaining obligations have been previously listed on the ROPS and approved by DOF, and (3) the agency is not a party to outstanding or unresolved litigation. Successor agencies had until December 31, 2015 to receive their Finding of Completion from DOF. RDA dissolution law states that successor agencies that did not receive their Finding of Completion by this date, or did not enter into a written installment payment plan with DOF, were to never receive a Finding of Completion. Approximately nine successor agencies did not receive a Finding of Completion by the deadline.

- 3) *San Francisco's RDA*. In 2015, the Legislature passed, and the Governor signed, SB 107 (Committee on Budget and Fiscal Review), Chapter 325, Statutes of 2015, which authorized San Francisco's successor agency to issue bonds and incur debt for other projects using RPTTF, including housing projects in Mission Bay, Hunters Point, and pursuant to the TIA. Using RPTTF to fund these projects extended the expected lifespan of the successor agency until 2058. Like its obligations under dissolution law, the successor agency must receive approval for these projects from its oversight board and DOF.

SB 593 (Wiener), Chapter 782, Statutes of 2023, authorized the successor agency to the SFRDA to issue bonds or incur indebtedness to finance the replacement of up to 5,842 units of affordable housing to satisfy the replacement housing obligation of the SFRDA as described in existing law and subsequently certified by the Department of Housing and Community Development.

- 4) *Transbay Joint Powers Authority*. TJPA has primary jurisdiction with respect to all matters concerning the financing, design, development, construction, and operation of the Transbay Program. The TJPA is a joint exercise of powers authority created in 2001 by San Francisco, the Alameda-Contra Costa Transit District and the Peninsula Corridor Joint Powers Board; subsequently, in 2017, the California High Speed Rail Authority was added as a member. The TJPA is governed by an 8-member Board of Directors.

According to the TJPA, "The Transbay Program is a transportation and housing project that has transformed downtown San Francisco and the San Francisco Bay Area's regional transportation system by creating a world class transportation hub in the heart of a new neighborhood. The project replaced the former Transbay Terminal at First and Mission streets in San Francisco with a modern regional transit hub connecting the Bay Area and ultimately the State of California through: AC Transit, BART, Caltrain, Golden Gate Transit, Greyhound, Muni, SamTrans, WestCAT Lynx, Amtrak, Paratransit and future High-Speed Rail from the San Francisco to Los Angeles/Anaheim."

- 5) *Transbay Agreement*. In 2003, TJPA, San Francisco, and the State of California entered into an agreement in which the State agreed to transfer specified state-owned parcels to San Francisco and the TJPA, subject to certain restrictions. Under the agreement, City and TJPA title to the state-owned parcels is subject to a deed restriction requiring that any such parcel may be sold for development only when the gross sales proceeds are provided to the TJPA to finance development of the Transbay Terminal Project. The agreement further requires that a

portion of tax increment revenues attributable to the state-owned parcels, the "net tax increment (NTI)," must be provided to the TJPA to finance development of the Transbay Terminal Project.

According to the Office of Community Investment and Infrastructure (OCII), the successor agency to San Francisco's RDA, the Transbay Redevelopment Plan was adopted in June 2005. The Transbay Plan, its Design for Development, and its Open Space and Streetscape Plan call for the redevelopment, rehabilitation, and revitalization of the area generally bounded by Mission, Main, Second and Folsom Streets in downtown San Francisco.

The Transbay Redevelopment Project Area consists of approximately forty acres of land that previously contained the now-demolished Embarcadero Freeway and ramps to the former Transbay Terminal, which were heavily damaged by the 1989 Loma Prieta earthquake, and surrounding properties.

Transbay is divided into two zones. OCII has land use authority over Zone One, which is located in the southern portion of the Project Area. The Transbay Plan and its Development Controls and Design Guidelines direct the transformation of Zone One from public land previously occupied by the former freeway and ramps into a new, master-planned, high-density, mixed use/residential community. Zone Two is in the northern portion of Transbay and includes the Salesforce Transit Center, Salesforce Tower, and mostly commercial properties along Mission and Howard Streets. Zone Two falls under the land use authority of the San Francisco Planning Department, under the Transbay Plan and the Transit Center District Plan, as provided for in the Transbay Delegation Agreement between the former Agency and the Planning Department.

OCII and the TJPA are responsible for executing the Transbay Plan, pursuant to a 2005 Implementation Agreement. Other agreements that enable the redevelopment of Transbay are between TJPA, OCII, the San Francisco, and the State of California, and include the Transbay Transit Terminal Cooperative Agreement, the Option Agreement for the Purchase and Sale of Property between the City and County of San Francisco, the TJPA and the RDA, and, the Transbay RDA Project Tax Increment Allocation and Sales Proceeds Pledge Agreement.

According to the Author

"San Francisco needs modern, connected transit infrastructure to support our growing economy, build housing near jobs, and revitalize our downtowns. The Transbay Program is a transformative investment that will expand regional transit capacity, connect Caltrain and future high-speed rail to the Salesforce Transit Center, and unlock thousands of homes and new economic activity in the heart of San Francisco.

"However, the COVID-19 pandemic significantly affected the project's bonding capacity, and at a time when federal transit funding opportunities have become less certain, the project needs additional financial stability to move forward. AB 2308 addresses this challenge by extending the timeline for an existing value-capture financing tool tied to former state-owned parcels in the Transbay Redevelopment Area by 25 years. This targeted extension will help ensure the project can secure the financing needed to complete the Downtown Rail Extension, delivering increased transit capacity, new housing, downtown revitalization, and thousands of good, labor-backed construction jobs for California's workers – all without adding any new taxes."

Arguments in Support

According to the TJPA, the sponsors of this bill, "The Transbay Redevelopment Plan ("Transbay Plan") was adopted in June 2005. Together with its Design for Development and Open Space and Streetscape Plan, the Transbay Plan calls for the redevelopment, rehabilitation, and revitalization of approximately forty acres in downtown San Francisco, generally bounded by Mission, Main, Second, and Folsom Streets. The Plan is centered on construction of the Salesforce Transit Center (already completed) and the Caltrain Downtown Extension (DTX) also known as The Portal, which is still in preconstruction.

"Much of the project area consists of former state-owned land previously occupied by the Embarcadero Freeway and the ramps to the original Transbay Terminal, both of which were severely damaged in the 1989 Loma Prieta earthquake. The State agreed to convey this land to the TJPA at no cost, with the understanding that it would be used either for new public transit infrastructure or redeveloped for housing and other uses. In return, land sale proceeds and NTI generated from these parcels were pledged to support construction for the TJPA's delivery of the Transbay Program.

"The Office of Community Investment and Infrastructure (OCII), as successor to the former Redevelopment Agency, and the TJPA jointly implement the Transbay Plan pursuant to a series of agreements, including the 2005 Transbay Implementation Agreement and the 2008 Transbay Pledge Agreement. These agreements pledge NTI from the former state-owned parcels to the TJPA. Following the dissolution of redevelopment agencies, the California Department of Finance confirmed that these agreements constitute enforceable obligations of OCII as successor agency.

"The TJPA anticipates completing delivery of The Portal, Phase 2 of the Transbay Program, in 2036 when rail service begins operations into the Transit Center. However, COVID-related impacts and shifts in the development market on the former state-owned parcels have significantly reduced projected tax increment revenues. As a result, the Project Area's bonding capacity has declined by an estimated \$275 million, jeopardizing the TJPA's ability to generate the required local match to secure approximately \$3.38 billion in federal funding for The Portal.

"Extending the term for collection of Net Tax Increment from 2050 to 2075 would reclaim an estimated \$188 million in net present value bonding capacity. This extension is essential to preserving the financial viability of the project and unlocking critical federal investment.

"Importantly, AB 2308 does not alter or reduce revenues from non-state parcels, nor does it change the structure or purpose of the existing NTI pledge. The legislation simply extends the duration of the current pledge on former state-owned parcels from 2050 to 2075 to allow for TJPA to obtain future bond proceeds as intended when the original legislation was approved. It does not create new obligations, redirect funds from other entities, or modify the fundamental financing framework already approved and recognized as enforceable."

Arguments in Opposition

None on file

FISCAL COMMENTS

None.

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

ASSEMBLY FLOOR: 66-0-14

YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bryan, Calderon, Caloza, Carrillo, Castillo, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Patel, Patterson, Pellerin, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp- Collins, Solache, Soria, Stefani, Ta, Tangipa, Ward, Wilson, Zbur, Rivas

ABS, ABST OR NV: Arambula, Bonta, Chen, Flora, Gallagher, Hart, Hoover, Irwin, Papan, Petrie-Norris, Celeste Rodriguez, Valencia, Wallis, Wicks

UPDATED

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

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