

ASSEMBLY THIRD READING  
AB 2385 (Petrie-Norris)  
As Amended April 27, 2026  
Majority vote

## SUMMARY

Authorizes a city, county, or city and county to establish a local reconstruction agency (LRA) to coordinate disaster recovery efforts in the areas impacted by a disaster.

### Major Provisions

- 1) Authorizes local governments to establish LRAs with broad powers to coordinate recovery efforts in areas impacted by disaster.
- 2) Allows a LRA to utilize property tax increment financing and to issue bonds.
- 3) Specifies the board structure of an LRA and requires the LRA to specify a date on which it will cease to exist, which must not be more than 45 years from the date on which a bond is issued or the issuance of loan is approved.
- 4) Expands the scope of existing local disaster plans, now referred to as "disaster recovery plans" and local government ordinances prepared to facilitate fast and efficient recovery and reconstruction following a disaster.
- 5) Specifies additional elements that may be included in the contingency plan of action and organization, required as part of the recovery plan and ordinances, and requires LCI and Cal OES to provide assistance with plans and ordinances.

## COMMENTS

- 1) *California Office of Emergency Services.* Cal OES serves as the state's leadership hub during all major emergencies and disasters. This includes responding, directing, and coordinating local, state and federal resources and mutual aid assets across all regions to support the diverse communities across the state. Cal OES also is responsible for developing and maintaining the State Emergency Plan and the Disaster Recovery Framework. Cal OES serves as the state's overall coordinator and agent to secure federal government resources through the Federal Emergency Management Agency (FEMA). Cal OES also administers the California Disaster Assistance Acts funds and several federal emergency preparedness grant programs.
- 2) *Disaster Recovery.* In late 2019, Cal OES finalized the California Disaster Recovery Framework (CDRF) and accompanying Recovery Support Function (RSF) Annexes for long-term recovery. Similar to the organization of the Emergency Support Functions, the RSFs are led by a state coordinating agency, and in conjunction with the federal government, serve to coordinate recovery-specific resources and guidance to local and tribal communities impacted by disasters.

Local disaster recovery plans developed prior to a disaster enable jurisdictions to effectively direct recovery activities and expedite a unified recovery effort. Since disasters are locally driven, pre-disaster recovery planning at the local level is imperative. The CDRF provides a

structure for the locals to follow. In addition, local recovery plans should create the operational construct for each of the three (short term, intermediate, and long term) recovery phases and determine which programs will be needed for each recovery phase, as they apply to their area. However, not all local governments have the capability or capacity to develop a formal recovery structure consistent with the CDRF, but Cal OES recommends all local governments at least undertake basic recovery planning steps.

Pre-disaster planning performed in conjunction with community development planning helps to establish recovery priorities, incorporate mitigation strategies in the wake of an incident, and identify options and changes to be considered or implemented after an incident. Post-disaster community recovery planning serves to integrate the range of complex decisions in the context of the incident and provides the foundation for allocating resources.

- 3) *Federal Guidance On Recovery Planning.* Recent federal guidance from FEMA recommends states and local jurisdictions prioritize three areas in disaster recovery planning: (1) disaster housing planning; (2) state disaster recovery coordinator; and (3) disaster financial management policies and procedures. FEMA provides a Pre-Disaster Recovery Planning Guide to help states prepare for recovery by developing pre-disaster recovery plans that follow a process to engage members of the whole community, develop recovery capabilities, and create an organizational framework for recovery efforts. It is strongly recommended that states establish a State Disaster Recovery Coordinator (SDRC), as an effective pre-disaster recovery plan and process is crucial to help recipients prepare for major disaster incidents, recover effectively, and enable state leadership to better organize and identify gaps in the state's recovery capabilities.
- 4) *Local Emergency Ordinances.* Local emergency ordinances provide local governments with the legal authority and structure to expedite recovery efforts. The CDRF provides the Model Pre-Event Recovery Ordinance, as drafted by the American Planning Association, as a resource for locals. Additionally, this document provides draft ordinance language. APA notes that a recovery ordinance should include the following:
  - a) Be adopted by local governing body action, if possible, before a disaster happens, as well as periodically updated and amended, as needed.
  - b) Authorize establishment and maintenance of a local recovery management organization, coordinated closely with the local emergency management organization.
  - c) Direct the preparation of a pre-event short- and long-term recovery plan in concert with the local emergency management organization and community stakeholder organizations.
  - d) Establish emergency powers by which the local government staff can take extraordinary action to protect public health, safety, and welfare during post-disaster recovery.
  - e) Identify methods for local government to take cooperative action with other entities to assure full access to all external financing resources as well as to facilitate recovery.
  - f) Specify the means for consulting with and assisting citizens, businesses, and community stakeholder organizations during recovery planning and implementation.

- 5) *Redevelopment*. Article XVI, Section 16 of the California Constitution authorizes the Legislature to provide for the formation of redevelopment agencies (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.

- 6) *Disaster RDAs*. Because of their extraordinary powers to generate public capital and manage real estate, redevelopment agencies could speed recovery after disasters. The Community Redevelopment Disaster Project Law allowed local officials to accelerate the adoption of redevelopment plans after declared disasters [AB 189 (Hauser), Chapter 186, Statutes of 1995].

Standard redevelopment law set time limits on redevelopment activities: 20 years to create debt, 30 years for the effectiveness of the redevelopment plan, and 45 years to repay debt

with property tax increment revenues. The disaster redevelopment law cut those deadlines to 10 years to create debt, 10 years for the plan's effectiveness, and 30 years to repay debt.

- 7) *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. 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.

- 8) *SB 782 of 2025.* SB 782 (Perez), Chapter 552, Statutes of 2025, created a subcategory of CRDs to finance disaster recovery efforts. These districts have the same powers of a CRD, but with several differences. Under existing law, before CRDs can use tax increment financing, they have to go through various meetings and notices. SB 782 allowed a city or county to bypass some of these meeting and notice requirements if a resolution that is adopted to use tax increment financing contains specified information and if the following are met:
- a) District boundaries are limited to areas where disaster damage is so prevalent and substantial that there is a significant reduction in the normal pre-disaster economic or physical usage of an area that cannot reasonably be expected to be reversed or alleviated during the term of the infrastructure financing plan (IFP) without redevelopment.
  - b) Areas adjacent to the disaster area may be included but those areas must not be more than 20% of the total district area.
  - c) The city or county adopts the resolution within two years of the disaster proclamation.

SB 782 also required the entity proposing formation of a district to hold two public meetings on the proposal and specified what must be considered at each meeting, the noticing requirements, and the requirements for the preparation and adoption of an IFP. Lastly, this bill enumerated how a district may use its revenue, including limiting the use of bond proceeds from being used for the cost of operation, programs or providing services.

**According to the Author**

"In the immediate aftermath of a wildfire, flood, or earthquake, first responders and community members rise to the challenge in the face of devastation. But after the crisis subsides, in the months and years following a disaster, people are often left navigating a complex web of insurance companies, disaster response agencies, and financial lenders.

"AB 2385 will provide local governments with a legal framework that they can modify to fit their needs that helps them prepare for the inevitable disaster. Communities recover best when they plan for recovery before disaster strikes."

**Arguments in Support**

According to the Blue Ribbon Commission (BRC) on Climate Action and Fire Safe Recovery, "On June 20, 2025, the BRC released our Final Commission Recommendations and Action Plans for the Resilient and Sustainable Rebuilding of Los Angeles. The Commission's Recommendation C-11, entitled "Update Disaster Recovery Act to Facilitate Future Fire Rebuilding," states "*...to encourage and enable local jurisdictions to plan for effective recovery before a disaster by creating a "reconstruction authority" that can be activated when disaster strikes, the State Legislature should amend the Disaster Recovery Reconstruction Act.*" Further, the BRC stated that amending the Disaster Recovery Reconstruction Act (DRRA) "*...would provide a powerful tool for local governments to prepare to respond to a disaster by setting up a governmental structure in advance...to manage the recovery efforts.*"

"Under existing law, the DRRA of 1986 gives local governments the tools to proactively plan for disaster, including the ability to establish reconstruction agencies with financing and land-use authority. Because these powers were incorporated by reference to Community Redevelopment Agencies (CRAs), which were later dissolved by legislation signed into law in 2011, legislation is needed to allow local governments to use the DRRA.

"AB 2385 fixes this drafting gap by specifically enumerating the powers a local disaster recovery agency may possess, drawing on lessons from past disaster recovery and rebuilding experience. The bill also clarifies that existing governance structures, such as enhanced infrastructure financing districts (EIFD) and climate resilience districts (CRD), can be leveraged for recovery, enabling local governments to act quickly without starting from scratch. Additionally, AB 2385 directs the Governor's Office of Land Use and Climate Innovation and the Office of Emergency Services to develop model ordinances and provide technical assistance, ensuring communities of all sizes have a practical pathway to implement the law.

"Enacting AB 2385 will unlock and support local jurisdictions' ability to plan for effective recovery before a disaster through local ordinance to establish a centralized "reconstruction authority", which can be activated when disaster strikes as a hub to lead and better marshal the resources needed for reconstruction and rebuilding. Every California community struggling to rebuild after a disaster will benefit."

**Arguments in Opposition**

None on file.

**FISCAL COMMENTS**

According to the Assembly Local Government Committee:

- 1) LCI estimates General Fund (GF) costs of \$672,000 for two years and \$264,000 annually thereafter to establish a statewide disaster recovery planning function, develop model ordinances and a planning toolkit, provide technical assistance to local governments, facilitate close interagency coordination, and conduct a statewide needs assessment. This estimate includes three air pollution specialist positions in the first two years, and one position ongoing.
- 2) Cal OES estimates GF costs of \$2.75 million for the first two years and \$2.15 million annually ongoing for eight positions and contract costs. This estimate includes two years of contractor support during program setup, and associated costs for technology and equipment. Cal OES indicates the bill may also generate increased training needs for local reconstruction agency staff which may create additional workload on Cal OES' California Specialized Training Institute.
- 3) Local costs to county auditors of an unknown amount to the extent a county auditor must 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.

The Legislative Analyst's Office recently warned of General Fund structural deficits of around \$35 billion per year in the 2027-28 fiscal year and ongoing.

## VOTES

### **ASM EMERGENCY MANAGEMENT: 6-0-1**

**YES:** Ransom, Hadwick, Arambula, Bains, Bennett, Calderon

**ABS, ABST OR NV:** DeMaio

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

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

### **ASM APPROPRIATIONS: 15-0-0**

**YES:** Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipia

## UPDATED

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