# SENATE COMMITTEE ON APPROPRIATIONS
**Senator Sabrina Cervantes, Chair**
**2025 - 2026 Regular Session**

**AB 2385 (Petrie-Norris) - Local reconstruction agencies**

**Version:** August 3, 2026
**Urgency:** No
**Hearing Date:** August 10, 2026
**Policy Vote:** L. GOV. 6 - 1, E.M. 8 - 0
**Mandate:** No
**Consultant:** Mark McKenzie

**Bill Summary:** AB 2385 would authorize a city or county to establish a local reconstruction agency (LRA) to coordinate disaster recovery efforts in areas impacted by a disaster. The bill would also require the Office of Land Use and Climate Innovation (LCI) to develop a disaster recovery model ordinance, and require the Office of Emergency Services (CalOES) to prepare guidance on disaster recovery plans.

**Fiscal Impact:**
- LCI estimates costs of $672,000 and 2.0 PY in 2027-28 and 2028-29, and $264,000 for 1.0 PY annually ongoing thereafter, to establish a statewide disaster recovery planning function, develop model ordinances and a planning toolkit, provide technical assistance to local governments, facilitate interagency coordination, and conduct a statewide needs assessment. (General Fund)

- Staff estimates that CalOES would incur costs in the mid-hundreds of thousands of dollars annually for two years, and potential ongoing costs in the low hundreds of thousands of dollars, to prepare guidance for local agencies to use when preparing disaster recovery plans. See Staff Comments. (General Fund)

**Background:** Existing law, the Disaster Recovery Reconstruction Act (DRRA), provides a framework for local agencies to prepare in advance of a disaster for the expeditious and orderly recovery and reconstruction of impacted communities or regions. A local government may prepare plans and ordinances facilitating the expeditious and orderly recovery and reconstruction of areas under its jurisdiction, should a disaster occur. These plans and ordinances may include items such as an evaluation of the vulnerability of specific areas, a contingency plan of action, and an ordinance that can be invoked soon after an event. Local governments are further authorized under the DRRA to take necessary actions to ensure the orderly transition from a declared emergency to a systematic program of short-term and long-term recovery and reconstruction, including such activities as activating plans and ordinances, coordinating actions with other entities, identifying damage areas, and determining appropriate methods of financing recovery activities.

After redevelopment agencies (RDAs) were dissolved in 2011, local officials sought other ways to use tax increment financing (capturing the growth in property tax in a project area to finance improvements) to raise the capital they need to fund public works projects. In response, the Legislature enacted laws providing numerous financing tools for local governments. For example, SB 628 (Beall, 2014) was enacted 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. 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. This includes projects that enable communities to adapt to the impacts of climate change, including higher average temperatures, decreased air and water quality, the spread of infectious and vector-borne diseases, other public health impacts, extreme weather events, sea level rise, flooding, heat waves, wildfires, and drought.

Once approved by the initiating city or county, an EIFD can receive funding from three revenue streams to fund its infrastructure financing plan. Similar to RDAs, EIFDs can use a portion of the property tax increment, excluding the school share, if the participating local governments approve it. They may also use revenue that the infrastructure project generates, such as money generated from user fees, public-private partnerships, loans, and grants. Finally, an EIFD may receive the local share of sales and use taxes and transactions and use taxes. Like an RDA, an EIFD may issue bonds backed by these revenues to pay for projects, but bond proceeds cannot be used to finance maintenance, ongoing operations, or providing services.

Existing law, as enacted by SB 852 (Dodd, 2022), authorizes local agencies to form climate resiliency districts (CRDs) using the EIFD framework, but also allows a district to impose benefit assessments, special taxes, property-related fees, and other service charges. While EIFDs can finance a broad range of public facilities, CRDs can only finance projects to address climate change mitigation, adaptation, or resilience.

Following the devastating wildfires in southern California in early 2025, SB 782 (Perez, 2025) was enacted to allow local agencies to create a subcategory of CRDs to finance disaster recovery efforts. SB 782 allows 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: (1) 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 without redevelopment; (2) areas adjacent to the disaster area may be included but those areas must not be more than 20% of the total district area; and (3) the city or county adopts the resolution within two years of the disaster proclamation.

**Proposed Law:** AB 2385 would authorize a city or county to establish an LRA to coordinate disaster recovery efforts in areas impacted by a disaster, and make various changes to the DRRA. Specifically, this bill would:

- Authorize a city or county that adopts a disaster recovery plan under the DRRA that includes specified provisions to adopt an ordinance to establish an LRA to coordinate disaster recover efforts in the areas impacted by a disaster. The ordinance must include procedures for determining the boundaries of the LRA.
- Authorizes the ordinance to grant specified powers and duties to the LRA, including: adopting a resolution providing for the division of taxes and issuance of bonds pursuant to CRD law; preparing and carrying out plans for the improvement, rehabilitation, recovery, and redevelopment of disaster-impacted areas; and making loans or providing assistance to residents and businesses.

- Specify the composition of an LRA board, which is consistent with EIFD law, except that at least one public member must be a resident or business owner within the local reconstruction area.
- Require the city or county that forms an LRA to specify the date on which the LRA will ease to exist, which cannot be more than 45 years from the date of a bond is issued or loan is approved, as specified.
- Removes provisions of the DRRA that refer to RDAs and instead reference provisions of this bill related to LRAs.
- Specify additional strategies that a city or county may include in its disaster recovery plan and ordinances, including the following:
  - Specific items that a local agency may include in a contingency plan of action and organization for recovery and reconstruction.
  - Procedures for integration with state and federal recovery frameworks.
  - Expanded types of organizational arrangements that may be made separately or jointly with other local entities to include CRDs and EIFDs
- Require a city or county to update its general plan within a reasonable period of time, if it determines that its general plan requires an update to determine consistency with a disaster recovery plan.
- Require LCI, by January 1, 2029 and in consultation with CalOES and regional counties of governments, as applicable, to assess the recovery and rebuilding needs of jurisdictions across the state and develop model ordinance language for disaster recovery plans.
- Require CalOES, by January 1, 2029 and in consultation with LCI, to prepare guidance on disaster recovery plans.
- Authorize LCI and CalOES to update the model ordinance and guidance at its discretion.

**Related Legislation:** SB 782 (Perez), Chap. 552/2025, authorized local agencies to form disaster recovery districts to use tax increment financing to finance disaster recovery efforts, as specified.

SB 852 (Dodd), Chap. 266/2022, authorized a city, county, city and county, or a combination of these to form a climate resilience district and use specified EIFD and other mechanisms to fund projects to address climate change mitigation, adaptation, or resilience, as specified.

**Staff Comments:** Staff notes that CalOES provided a cost estimate that noted a potential fiscal impact of $2.75 million for the first two years, and $2.15 million in ongoing annual costs for 8.0 PY of staff and limited-term contract costs to implement and administer the bill. This estimate includes two years of contractor support during program setup, and associated costs for technology and equipment. CalOES indicates the bill may also generate increased training needs for local reconstruction agency staff which may impose additional workload on Cal OES' California Specialized Training Institute. Staff notes that it is unclear why this level of resources would be necessary to meet the bill's requirement for CalOES to provide one-time general and adaptable guidance that may be used by local agencies when they opt to prepare a disaster recovery plan.

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