Office of Senate Floor Analyses
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THIRD READING

Bill No: AB 417
Author: Carrillo (D)
Amended: 3/27/25 in Assembly
Vote: 21

SENATE LOCAL GOVERNMENT COMMITTEE: 5-0, 6/18/25
AYES: Durazo, Arreguín, Cabaldon, Laird, Wiener
NO VOTE RECORDED: Choi, Seyarto

ASSEMBLY FLOOR: 62-0, 4/1/25 - See last page for vote

SUBJECT: Local finance: enhanced infrastructure financing districts: community revitalization and investment authorities

SOURCE: Author

DIGEST: This bill makes various changes to the laws for local agencies to create enhanced infrastructure financing districts (EIFDs) and community revitalization and investment authorities (CRIAs).

ANALYSIS:

Existing law:

1) Authorizes local governments to create EIFDs and to use tax increment financing (TIF) to finance public capital facilities or other specified projects.

2) Provides that 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 the acquisition, construction, or repair of commercial structures by the small business occupant of such structures, if it is for the purposes of fostering economic recovery from the COVID-19 pandemic and ensuring the long-term economic sustainability of small businesses.

3) Authorizes a local government to establish a CRIA to use property tax increment revenues to finance a community revitalization plan within an community revitalization area.

4) Provides that local officials may only establish a CRIA in an area where at least 80% of the area has an annual median household income that is less than 80% of the city, county, or statewide annual median income, and includes at least three of the specified blight conditions.

This bill:

1) Makes various changes to EIFD laws:

   a) Requires that annual reports be adopted within seven months of the end of the fiscal year, to enable these reports to include audited data.

   b) Clarifies the process for amending a plan to add a participating local agency, which will facilitate exploration of local partnerships.

   c) Removes an obsolete reference to COVID-19 pandemic, to ensure that EIFDs continue to have the option of assisting the economic recovery of small businesses.

2) Makes various changes to CRIA laws:

   a) Revises the formation timeline to match the process approved for EIFDs with SB 1140 (Caballero, Chapter 599, Statutes of 2024).

   b) Reduces complexity associated with formation by requiring 60% of included territory to be comprised of census tracts with lower (below 80% of AMI) median incomes, or meet existing thresholds for deteriorated infrastructure and structures, or elevated crime and unemployment.

Background

SB 1140 made a number of changes to this formation process, including reducing the number of public meetings necessary to consider EIFD formation from four to three. The public financing authority (PFA) must mail a written notice of the meeting to each landowner, resident, and taxing entity in the proposed EIFD at least 10 days before the meeting.

To reduce mailing costs, SB 780 (Cortese, Chapter 391, Statutes of 2021) allowed the PFA to consolidate some of the mailing and meeting notice requirements.

Under this alternative process, the official responsible mails each landowner, resident, and affected taxing entity a notice at least 40 days prior to the first meeting. SB 1140 revised the alternative mailing and noticing process to include all EIFD formation meetings, annual reports, and potential amendments, and required specified information to be included in the notice, as applicable. The PFA must also review the IFP annually and adopt an annual report by June 30 each year, make any amendments to the IFP that are necessary, and prepare an annual independent financial audit.

Over a dozen local agencies have created EIFDs. Only the City of Victorville has created a CRIA.

Comments

1) *Purpose of this bill.* According to the author, "In order to respond to the needs of our communities, local governments have come up with creative ways to fund critical infrastructure. Tax increment financing tools, such as EIFDs and CRIAs have become increasingly important in funding local infrastructure projects. AB 417 improves the functionality and usefulness of EIFDs and CRIAs by streamlining administrative processes, and providing other crucial clarification to existing law, while maintaining public participation and transparency. These reforms will significantly improve the ability for local governments to support economic development and build critical infrastructure in communities across the state."

2) *Tinkering around the edges.* Post redevelopment TIF tools have existed for over a decade. While there are over a dozen EIFDs, there is only one CRIA in Victorville in northern San Bernardino County. SB 961 (Allen, Chapter 559, Statutes of 2018) required the Office of Planning and Research, now known as the Office of Land Use and Climate Innovation (LCI), to study the effectiveness of tax increment financing tools. LCI found that post-redevelopment TIF tools have limited revenue potential to make district formation worthwhile, especially when considering the lengthy formation process. AB 417 makes a series of changes intended to make these districts more functional, but does relatively little to address the limited revenue potential needed to make these districts worthwhile. Should the Legislature continue to tinker with these tools rather than address the core reasons for their sluggish development?

3) *Careful what you wish for.* AB 417 makes changes to both EIFD and CRIA law. While there are several differences between these two tools, one significant difference is that CRIAs can exercise eminent domain while EIFDs

cannot. Eminent domain allows public agencies to take private property for "public use," including economic development, and as long as the agency provides "just compensation" to the property owner for their property. Cities and counties have eminent domain authority that is broadly applicable to their activities, while many other local governments only have authorization to use eminent domain for specific purposes, if at all. CRIAs inherited eminent domain from RDAs. RDAs use of eminent domain remains hotly contested. For example, in 2005 the San Mateo County Grand Jury issued a report on how Redwood City used eminent domain to aid a private developer's construction of a retail and cinema complex. The Grand Jury found that the Redwood City Redevelopment Agency did not provide fair and equitable treatment and forced property owners to settle at the lowest possible price, imposing an emotional and financial hardship on affected property owners. AB 417 does not change CRIAs eminent domain authority, but it does make it easier to form CRIAs by relaxing the criteria required for their formation. An unintended consequence of making it easier to form CRIAs is expanding opportunities for local agencies to use eminent domain, relegating these important decisions regarding the taking of private property for public use to a distinct financing authority few members of the public likely recognize. However, if eminent domain were a primary motivation for forming CRIAs, it is likely that more than one local agency would have created a CRIA.

Related legislation

SB 5 (Cabaldon,2025), prohibits enhanced infrastructure financing districts (EIFDs) and community revitalization and investment authorities (CRIAs) from including taxes levied upon parcels enrolled in a Williamson Act or farmland security zone contract. The measure is currently pending in the Assembly Local Government Committee.

SB 516 (Ashby, 2025) enacts the California Capital City Downtown Revitalization Act, which creates a new type of enhanced infrastructure financing district specific to Downtown Sacramento. The measure is currently pending in the Assembly Local Government Committee.

SB 549 (Allen, 2025) removes the authority for a subset of enhanced infrastructure financing districts to receive sales and use tax revenue, and no longer requires them to be contiguous. The measure is currently pending in the Assembly Local Government Committee.

SB 782 (Pérez, 2025) creates disaster recovery financing districts, which have similar powers to a climate resilience district. The measure is currently pending in the Assembly Local Government Committee.

FISCAL EFFECT: Appropriation: No Fiscal Com.: No Local: No

SUPPORT: (Verified 6/18/25)

California Association for Local Economic Development (Source)
American Planning Association, California Chapter
Associated General Contractors, California Chapters
Building Owners and Managers Association of California
California Business Properties Association
California Business Roundtable
California Central Valley Flood Control Association
California Chamber of Commerce
California Chapters of the American Public Works Association
City of Carson
City of Lakewood CA
City of Redwood City
City of Vista
City of West Sacramento
County of Humboldt
Institute of Real Estate Management
League of California Cities
Naiop of California
Rural County Representatives of California
San Diego Regional Chamber of Commerce
Southern California Leadership Council

OPPOSITION: (Verified 6/18/25)

Fieldstead and Company, INC.
R Street Institute

ASSEMBLY FLOOR: 62-0, 4/1/25
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Elhawary, Ellis, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste

Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Wallis, Ward, Wilson, Zbur, Rivas
NO VOTE RECORDED: Alvarez, Castillo, Chen, Davies, DeMaio, Dixon, Essayli, Flora, Gallagher, Hadwick, Hoover, Lackey, Macedo, Patterson, Sanchez, Ta, Tangipa, Wicks

Prepared by: Jonathan Peterson / L. GOV. / (916) 651-4119
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