



- a) Establishment of local financial incentives for housing, including, but not limited to, establishing a local housing trust fund;
  - b) Adoption of zoning allowing for use by right for residential and mixed-use development;
  - c) Adoption of zoning that allows for more residential development than is required to accommodate the minimum existing regional housing need allocation for the current housing element cycle;
  - d) Reduction of permit processing time;
  - e) Creation of objective development standards;
  - f) Reduction of development impact fees;
  - g) Preservation of affordable units through the extension of existing project-based rental assistance covenants to avoid the displacement of affected tenants and a reduction in available housing units; and
  - h) Facilitation of the conversion or redevelopment of commercial properties into housing;
  - i) Establishment of safe parking and camping programs and locations, as specified; and,
  - j) Adoption of policies designed to remove barriers to the approval of low-barrier navigation centers, emergency shelters, and supportive housing, as specified.
- 5) Requires that jurisdictions that have been designated prohousing by HCD, and that have an adopted housing element that has been found by HCD to be in substantial compliance, must be awarded additional points or preference in the scoring for the following program applications:
- a) The additional points must be awarded for the following programs:
    - i) The Affordable Housing and Sustainable Communities Program;
    - ii) The Transformative Climate Communities Program; and
    - iii) Specified portions of the Infill Incentive Grant Program of 2007 and the Infill Infrastructure Grant program of 2019.
  - b) Allows additional points and preferences to be awarded to other state programs when already allowable under state law.
- 6) Requires a public agency to administer its programs and activities relating to housing and community development in a manner to affirmatively further fair housing (AFFH). Defines "affirmatively furthering fair housing" as taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics.

*EIFDs*

- 7) Creates EIFDs and allows them to 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, including projects that enable communities to adapt to the impacts of climate change.
- 8) Allows, in addition to construction costs, EIFDs to finance planning and design work, displacement of affordable housing residents, defending the district against protests over their formation, and the ongoing or capitalized costs to maintain the projects the district finances.
- 9) Provides that an EIFD is governed by a public financing authority (PFA) with three members of each participating taxing entity's legislative body and a minimum of two public members. Member agencies can also appoint an alternate member from their legislative body. If at least three taxing entities participate in the district, upon agreement of all taxing entities participating, the district's governing board can be reduced to one member and one alternate member of each legislative body and a minimum of two public members.
- 10) Requires the PFA to hold public meetings and meet notice requirements to consider an EIFD's formation, as specified.

**This bill:**

- 1) Defines "prohousing enhanced infrastructure financing district (PEIFD)" to mean an EIFD that adopts a specified resolution, adopts a specified plan, and requires either:
  - a) At least 20% of any new housing units constructed or rehabilitated in the PEIFD to be affordable to persons and families of low- or moderate-income and at least 6% of the new units to be affordable to VLI households, or
  - b) At least 30% of the total project area will be affordable to lower-income households within 20 years of establishment of the PEIFD.
- 2) Authorizes a prohousing jurisdiction to establish a PEIFD by adopting a specified resolution, finding by resolution that the jurisdiction is AFFH, and adopting a specified plan, which shall be reviewed for compliance every 10 years and contains the affordable housing as required in 1).
- 3) Requires a PEIFD to meet the following requirements:
  - a) The PEIFD shall require, by recorded covenants or restrictions, that affordable housing units financed by the PEIFD remain affordable at the

- applicable affordable housing costs for the longest feasible time, but not less than 55 years for rental units and 45 years for owner-occupied units.
- b) The PEIFD shall not finance highways or interchanges.
  - c) A PEIFD may apply for funding from the Infrastructure Partnership Financing Program (IPFP).
- 4) Requires the PEIFD to include the following in an annual report:
    - a) Compliance review of the resolution, AFFH, and IFD Plan.
    - b) Progress towards complying with affordable housing provisions.
  - 5) Requires a local government that has its prohousing designation revoked to make a diligent effort to remedy that status within 120 days of the revocation. If they do not remedy the revocation, the PEIFD shall not apply for or receive funding from the IPFP until their prohousing designation has been reinstated.
  - 6) Provides that a prohousing jurisdiction shall receive enhanced points or preference beyond the baseline provided for other prohousing designated jurisdictions:
    - a) If the jurisdiction has established a PEIFD.
    - b) An eligible project located within a PEIFD.
  - 7) Provides that, if a jurisdiction with a PEIFD or a project in a PEIFD receives funds, the funds may be used for infrastructure components that directly support, strengthen, or accelerate implementation of the PEIFD, including housing-enabling infrastructure, but only to the extent consistent with the requirements of the program from which funding was awarded.
  - 8) Adds to the list of “prohousing local policies” the establishment of a PEIFD.
  - 9) Requires HCD to establish, upon appropriation by the Legislature, the IPFP to provide loans or grants for purposes of financing infrastructure projects needed to assist the development of qualified housing development projects.
  - 10) Requires an applicant, in order to be eligible for funding from the IPFP, to submit an application with HCD containing the following:
    - a) The name of the development project seeking funding.
    - b) A description of the qualified housing development project, including but not limited to the total number of housing units and total number of housing units subject to a recorded affordability restriction.
    - c) The amount and type of funding requested.

- d) A description of the local resources used to finance infrastructure associated with the qualified housing development project.
  - e) A list of any infrastructure project needed to assist the development of the qualifying housing development project and an estimated cost and completion date for each infrastructure project.
  - f) An analysis showing that the benefits to the public in terms of the number of units subject to a recorded affordability restriction or more affordable rents is likely to exceed the benefit to the development proponent in terms of reduced production costs.
- 11) Requires HCD to prioritize applications for the IPFP based on the following factors:
- a) An application that proposes more housing units to be produced shall be given higher priority.
  - b) An application that has more housing units subject to a recorded affordability restriction shall be given higher priority.
  - c) An application that shows relative benefits to the public are higher in the analysis in (10) shall be given higher priority.

## Background

*Prohousing Local Policies.* In 2019, the Legislature enacted legislation (AB 101, Committee on the Budget), which required HCD to designate cities and counties as prohousing if their local policies facilitate the planning, approval, or construction of housing. “Prohousing” jurisdictions will receive a competitive advantage in applying for certain state programs, including but not limited to the Affordable Housing and Sustainable Communities Program, Transformative Climate Communities Program, and the Infill Incentive Grant Program.

Additionally, local governments with prohousing designation are eligible to apply for funds from the Prohousing Incentive Program, which is designed to reward local governments with prohousing designation with additional planning or implementation funding to accelerate affordable housing production and preservation. Eligible uses include: construction and rehabilitation of affordable housing, homeownership, matching funds for housing trust funds, services for permanent supportive housing units, and housing for people experience homelessness.

Although AB 101 provided examples of prohousing local policies, HCD has discretion over the final policies. HCD initially adopted emergency regulations on June 25, 2021, and later adopted permanent regulations, which were approved on

January 2, 2024. HCD began accepting applications under these regulations on March 2, 2024.

*Tax Increment Financing (TIF) and RDA dissolution.* 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 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 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 agencies.

TIF revenues are typically used to pay back upfront costs or debt service for bonds issued to fund improvements such as infrastructure and other public facilities that are needed to facilitate private investment. Since the dissolution of RDAs, the Legislature has created several new TIF tools to authorize local governments to raise revenues to finance local infrastructure. Below is a chart summarizing the various available TIF tools.

<b>TIFs + Enabling Legislation</b>	<b>Location Reqs</b>	<b>Rev Sources</b>	<b>Affordable Housing Reqs</b>	<b>Expenditures</b>	<b>Number Created</b>
<b>Infrastructure Financing Districts (IFD), SB 208 (Seymour, Chapter 1575, 1990)</b>	None	Property tax increment	None	Capital improvements only, such as highways, transit, water systems, sewer projects, flood control, childcare facilities, libraries, parks, and solid waste	2

<p><b>Enhanced Infrastructure Financing Districts (EIFD), SB 628 (Beall, Chapter 785, 2014)</b></p>	<p>None</p>	<p>Property tax increment, increment from property tax in-lieu of vehicle license fees</p>	<p>None</p>	<p>Purchase, construction, or improvement of real property; can be used for maintenance of public facilities, as specified</p>	<p>15</p>
<p><b>Infrastructure and Revitalization Financing District (IRFD), AB 229 (Perez, Chapter 775, 2014)</b></p>	<p>None</p>	<p>Property tax increment</p>	<p>None</p>	<p>Same as IFDs plus watershed lands, flood management, brownfield restoration and other environmental mitigation, purchase of real property, housing acquisition or construction, commercial acquisition or construction, and repayment transfer funds into a military base reuse authority</p>	<p>0</p>
<p><b>Community Revitalization and Infrastructure Authority (CRIA), AB 2 (Alejo, Chapter 319, 2015)</b></p>	<p>Disadvantaged communities, as specified, or an area within a former military base, as specified.</p>	<p>Property tax increment, increment from property tax in-lieu of vehicle license fees</p>	<p>25% for affordable housing</p>	<p>Wide range of capital improvements within its boundaries</p>	<p>0</p>
<p><b>Affordable Housing Authorities, AB 1598 (Mullin,</b></p>	<p>None</p>	<p>Property tax increment, increment from property</p>	<p>95% for increasing and preserving affordable</p>	<p>Financing low- and moderate-income housing, including supportive and transitional housing.</p>	<p>0</p>

<p><b>Chapter 764, 2017)</b></p>		<p>tax in-lieu of vehicle license fees, sales and use tax increment</p>	<p>housing, as specified.</p>		
<p><b>Neighborhood Infill Finance and Transit Districts (NIFTI), AB 1568 (Bloom, Chapter 562, 2017)</b></p>	<p>Qualified infill site</p>	<p>Property tax increment, increment from property tax in-lieu of vehicle license fees, sales and use tax increment</p>	<p>20% of revenues for acquisition, rehabilitation or construction of affordable housing; 20% for all housing to be affordable</p>	<p>Wide range of capital improvements and affordable housing</p>	<p>0</p>
<p><b>Second Neighborhood Infill Finance and Transit Districts (NIFTI-2), SB 961 (Allen, Chapter 559, 2018)</b></p>	<p>Qualified infill site and within 1/2 mile of a major transit stop</p>	<p>Property tax increment, increment from property tax in-lieu of vehicle license fees, sales and use tax increment</p>	<p>40% of revenues must be spent on affordable housing; 50% of affordable housing funds for households below 60% AMI and 50% for households below 30% AMI</p>		<p>0</p>

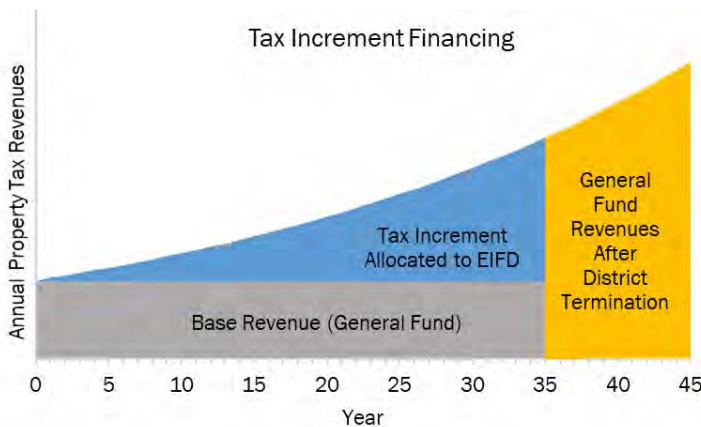
## Comments

- 1) *Author's statement.* “While many state programs exist to support affordable housing construction, there are fewer programs available that help to provide funding for infill infrastructure. SB 1003 establishes the Infrastructure Partnership Financing Program, which would support local jurisdictions build infrastructure for infill housing. Under this program, local jurisdictions will be able to create Pro-Housing Enhanced Infrastructure Financing Districts (PEIFDs), working with housing developers to identify infill infrastructure needs, and then jointly apply to the Infrastructure Partnership Financing Program for state assistance. By creating PEIFDs, this ensures greater accountability for development projects, while reducing costs upfront. Ultimately SB 1003 will help unlock housing, leverage local investment, and generate lasting returns.”
- 2) *EIFDs.* As noted in the background section, following the dissolution of RDAs, the legislature created several “RDA 2.0” tools, one of which established EIFDs. SB 628 (Beall, 2014) to allow local officials to create EIFDs, which augment the TIF 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, but not limited to, 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 (AB 733, Berman, 2017). To do this they must follow a specific process for adopting an infrastructure financing plan 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, unlike other TIF tools or RDAs, do not mandate that funds be used for affordable housing.

- 3) *Show me the money.* Historically, the RDAs allowed a local governments to establish a redevelopment area and capture all of the increase in property taxes generated within the area (referred to as “tax increment”) over a period of

decades. The law required redevelopment agencies to deposit 20% of tax increment into a Low and Moderate Income Housing Fund (L&M fund) to be used to increase, improve, and preserve the community’s supply of low- and moderate-income housing available at an affordable-housing cost. While it is estimated these TIF tools funds generated over \$1 billion annually for affordable housing construction statewide, many cities were using these funds for non-affordable housing related projects or hoarding the funds instead of investing it.



Among other local entities, RDAs were capturing tax revenues that were needed by municipalities, school districts, and other taxing entities. School districts, as required by Prop 98, are required to be “made whole” by these property tax diversions, so until their dissolution in 2012, the state

was “backfilling” these obligations to schools (totaling over \$2 billion annually). Governor Brown’s 2011-12 budget eliminated RDAs, diverting billions of dollars of property tax revenues back to schools, cities, and counties to fund core services. Non-school entities lost about \$1.5 billion annually to RDAs.

In order to avoid the significant impacts to the general fund that participation from school districts presented, the Legislature created a series of new “RDA 2.0 Tools” that do not authorize participation or inclusion of school districts. In 2004, voters passed Proposition 1A, which limited the ability for the Legislature to enact statutes that modify how property taxes are allocated among local governments. For these reason, these RDA 2.0 tools have much more limited utility. This is because in many cases the local share of property tax without the school share, and without the ability to force local agencies to participate, is insufficient to generate enough revenue to make creation of a TIF worthwhile, or to warrant issuing a bond, absent participation by other taxing entities. Some estimates are that utilization of these new TIF tools will take many years to generate sufficient revenue absent some additional funds from other sources.

- 4) *PEIFDs and new incentives to finance housing-related infrastructure.* This bill would seek to incentivize more local governments to create TIF districts called PEIFDs. PEIFDs are a new TIF district substantially similar to an EIFD that

result in some level of deed restricted affordable housing and must be consistent with AFFH policies. Unlike an EIFD, however, PEIFDs cannot finance highways or interchanges. Locals may be incentivized to create the PEIFD because doing so may qualify the local government for prohousing designation. Additionally, a local government that achieves prohousing designation and creates a PEIFD will receive enhanced bonus points or preference beyond the baseline than other prohousing designations when they apply for funds from specific state programs.

This bill also creates a new program, the IPFP, upon appropriation by the Legislature, to provide loans or grants for purposes of financing infrastructure projects needed to assist the development of qualified housing development projects.

Despite these incentives to create TIF districts, it's not clear that the PEIFDs will generate TIF funds any more quickly than existing TIF tools for purposes of financing housing, housing-related infrastructure, or other public infrastructure projects.

- 5) *More sunshine!* This bill would allow HCD to create the IPFP through guidelines. However, adoption of guidelines does not necessarily require a department to follow public notice and comment processes required by the Administrative Procedures Act (APA). **Consistent with other new program creation in recent years, the author agreed to instead requiring HCD to first adopt emergency regulations consistent with the APA, followed by the adoption of permanent regulations. This allows the program to be created more quickly, while also allowing greater public transparency and engagement from stakeholders.**
- 6) *Incoming!* This bill was heard in the Senate Local Government Committee on April 15<sup>th</sup> and passed on a vote of 5-2.

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

**POSITIONS:** (Communicated to the committee before noon on Wednesday, April 15<sup>th</sup>, 2026.)

**SUPPORT:**

None received.

**OPPOSITION:**

None received.

**-- END --**