
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 1003 (Grayson) - Prohousing enhanced infrastructure financing districts: Infrastructure Partnership Financing Program

Version: April 23, 2026

Policy Vote: L. GOV. 5 - 2, HOUSING 8 -
2

Urgency: No

Mandate: No

Hearing Date: May 11, 2026

Consultant: Mark McKenzie

Bill Summary: SB 1003 would allow cities and counties to create a prohousing enhanced infrastructure financing district (PEIFD) and award bonus points for local agencies that have established a PEIFD when applying for certain housing programs, as specified. The bill would also create a new Infrastructure Partnership Financing Program (IPFP), upon appropriation of funds by the Legislature, to provide loans and grants to local agencies with a PEIFD for financing infrastructure projects needed to assist the development of qualified housing development projects.

Fiscal Impact:

- The Department of Housing and Community Development (HCD) estimates ongoing costs of approximately \$1.2 million annually for 9.0 PY of new staff to establish and administer the new IPFP loan and grant program. Staff notes that these costs would only be incurred to the extent the Legislature appropriates funding for the program, and actual costs would depend, in part, on the amount of funding provided for the program. See Staff Comments. (General Fund)
- HCD would likely incur minor costs to revise the guidelines of specified programs to provide enhanced bonus points or preferences for cities and counties that have established a PEIFD.

Background: 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 in 2019 by AB 101 (Budget Committee), requires HCD to establish a process to designate cities and counties as prohousing if their local policies facilitate the planning, approval, or construction of housing, as specified. Cities and counties applying to HCD for a prohousing designation must have a compliant housing element, have submitted their APRs, completed all necessary rezoning, comply with all state housing laws, have a policy for the treatment of homeless encampments, and adopt a resolution to establish their prohousing status. Jurisdictions that have been granted a prohousing designation are awarded additional points or preferences when applying for certain state programs, including the Affordable Housing and Sustainable Communities Program, Transformative Climate Communities Program, and the Infill Infrastructure Grant Program. In addition, local governments with a prohousing designation are eligible to apply for funds from the Prohousing Incentive Program, which rewards those cities and counties with additional planning or implementation funding to accelerate affordable housing production and preservation. Eligible uses of these funds include construction and rehabilitation of affordable housing, homeownership, matching funds for housing trust funds, services for permanent supportive housing units, and housing for people experiencing homelessness.

Proposed Law: SB 1003 would allow cities and counties to establish PEIFDs, and establish a new funding program to finance infrastructure projects needed to assist the development of qualified housing projects. Specifically, this bill would:

- Authorize a jurisdiction that has a prohousing designation from HCD to establish a PEIFD by adopting a specified resolution, making a finding by resolution that it complies with requirements to affirmatively further fair housing, and adopting an infrastructure financing plan that requires a review to ensure compliance with the bill's provisions every 10 years, and requires either of the following:
 - 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.
 - At least 30% of the total project area will be affordable to lower-income households within 20 years of establishment of the PEIFD.
- Require the PEIFD to ensure, by recorded covenants, that affordable housing units financed by the PEIFD remain affordable at the applicable affordable housing costs for the longest feasible time, but at least 55 years for rental units and 45 years for owner-occupied units.
- Prohibit a PEIFD from financing highways or interchanges.
- Authorize a PEIFD to apply for funding from the Infrastructure Partnership Financing Program, established by this bill.

- Require the PEIFDs public financing authority to include in its annual report the 10-year required compliance review and the progress in complying with affordable housing obligations.
- Require 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.
- Provide a jurisdiction that has established a PEIFD, or an eligible project within a PEIFD, with enhanced points or preferences beyond the baseline provided for locals that have a prohousing designation, when applying to specified programs.
- Authorize funds awarded to a jurisdiction that has established a PEIFD, or a project within a PEIFD, to 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.

- Establish the Infrastructure Partnership Financing Program (IPFP), to be administered by HCD, for the purpose of financing infrastructure projects needed to assist the development of qualified housing development projects.
- Require HCD, upon appropriation of funds for the IPFP, to provide loans or grants to applicants for qualifying housing projects.
- Require HCD to prioritize applications based on the following factors:
 - An application that proposes more housing units to be produced must be given higher priority.
 - An application that has more housing units subject to a recorded affordability covenant must be given higher priority.
 - An application that shows relative benefits to the public are higher, as identified in a specified analysis, must be given higher priority.
- Specify the requirements for an IPFP application, including a description of the housing development project, the amount and type of funding requested, a description of local resources used to finance associated infrastructure, a list of any infrastructure needs to assist the housing project, and 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.
- Require HCD to collaborate with stakeholders to adopt emergency regulations to implement the IPFP, which would remain in effect until adoption of standard regulations.

Staff Comments: As noted above, HCD anticipates a need for 9.0 PY of staff, at an annual cost of approximately \$1.2 million, to establish and implement the IPFP, based on workload and resources necessary to create and maintain similar grant and loan programs. Specific workload includes the adoption of emergency regulations, subsequent adoption of standard regulations, development of application and technical assistance materials, processing applications, providing technical assistance, and ongoing monitoring of awardees' use of IPFP funds. The actual costs associated with ongoing administration would depend on the resources appropriated for the IPFP.