

THIRD READING

Bill No: SB 1003
Author: Grayson (D)
Amended: 5/14/26
Vote: 21

SENATE LOCAL GOVERNMENT COMMITTEE: 5-2, 4/15/26

AYES: Durazo, Arreguín, Ashby, Cervantes, Laird

NOES: Choi, Seyarto

SENATE HOUSING COMMITTEE: 8-2, 4/21/26

AYES: Arreguín, Cabaldon, Caballero, Cortese, Durazo, Gonzalez, Grayson,
Padilla

NOES: Seyarto, Ochoa Bogh

SENATE APPROPRIATIONS COMMITTEE: 5-2, 5/14/26

AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab

NOES: Seyarto, Dahle

SUBJECT: Prohousing enhanced infrastructure financing districts

SOURCE: Author

DIGEST: This bill creates a subset of enhanced infrastructure financing districts called Prohousing Enhanced Infrastructure Financing Districts (PEIFDs).

ANALYSIS:

Existing law:

- 1) 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.

- 2) 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.
- 3) 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.
- 4) Requires the PFA to hold public meetings and meet notice requirements to consider an EIFD's formation, as specified.
- 5) Requires the Department of Housing and Community Development (HCD) to establish a prohousing designation for local jurisdictions that have adopted specified "prohousing local policies."
- 6) Defines "prohousing local policies" to mean policies that facilitate the planning, approval, or construction of housing, as specified.
- 7) 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 specified program applications.

This bill:

- 1) Creates Prohousing Enhanced Infrastructure Financing Districts (PEIFDs) as a subtype of EIFDs. PEIFDs are different from traditional EIFDs in that a city or county can only create one if:
 - a) The city or county that creates it is a pro-housing jurisdiction;
 - b) Its infrastructure financing plan (IFP) requires one of the following:
 - i) At least 20% of any new housing units constructed or rehabilitated in the PEIFD will be affordable to low- or moderate-income households, and at least 6 percent of new units will be affordable to very low-income households; or

- ii) At least 30% of the total project area will be affordable to lower income households within 20 years of the PEIFD's establishment;
 - c) The city or county adopts a resolution that it is affirmatively furthering fair housing; and
 - d) The IFP requires a review every 10 years.
- 2) Provides that affordable housing units the PEIFD funds must remain affordable for the longest feasible time, but not less than 55 years for rental units and 45 years for owner-occupied units.
 - 3) Provides that PEIFDs cannot fund highway or highway interchange projects.
 - 4) Provides that a city or county cannot terminate a PEIFD if it has not complied with its affordable housing obligations. In addition to information required for any EIFD, a PEIFD must also include information on its progress in complying with its affordable housing obligations in its annual report. A city or county with a PEIFD that loses its pro-housing designation must regain its status within 120 days after revocation.
 - 5) Provides that, when it comes to scoring competitive housing and infrastructure programs, the following receive enhanced points or preferences:
 - a) Jurisdictions with PEIFDs; or
 - b) Projects in a jurisdiction with a PEIFD.

Background

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 tax increment financing (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 TIF district fully repays the bonds using the incremental property tax revenues, the district dissolves, ending the diversion of tax increment revenues from participating local agencies.

Comments

- 1) *Purpose of this bill.* According to the author, “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...By creating PEIFDs, this ensures greater accountability for development projects, whilst reducing costs upfront. Ultimately SB 1003 will help unlock housing, leverage local investment, and generate lasting returns.”
- 2) *Sure, but will it work?* Proposition 13 (1978) capped property tax rates at 1% of assessed value (which only changes upon new construction or when ownership changes). If properties do not get reassessed, the Constitution caps growth at 2% per year. The general theory behind TIF is that a local agency creates a district because it expects significant property tax growth generated through reassessments when property changes hands or is improved. Otherwise, a TIF district only receives the increment that comes from the 2% growth, which may not be sufficient to generate enough revenue to finance significant infrastructure projects in a timely fashion. When the TIF district uses these resources to finance infrastructure projects, it can springboard additional property tax growth. In other words, the TIF district pays for itself. When RDAs existed, they had at least two important advantages over current TIF districts. First, they received increment from the school share of property tax revenue, which the state backfilled from the General Fund in many cases. Second, they received increment that would have otherwise gone to other local agencies without their approval. This generated billions of dollars in additional funds that cities and counties could only access through redevelopment. Even with these key features, research has found that RDAs generally did not generate enough growth in property values to justify the property tax revenue they received.

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

According to the Senate Committee on Appropriations: “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.”

SUPPORT: (Verified 5/14/26)

California Apartment Association

OPPOSITION: (Verified 5/14/26)

None received

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