SENATE COMMITTEE ON LOCAL GOVERNMENT

Senator María Elena Durazo, Chair
2025 - 2026 Regular

Pursuant to Rule 29.10(d)

Bill No:	SB 226	**Hearing Date:**	8/26/26
Author:	Cabaldon	**Fiscal:**	No
Version:	6/11/26	**Consultant:**	Peterson

INFRASTRUCTURE REVITALIZATION FINANCING DISTRICTS

Allows infrastructure revitalization financing districts to finance entertainment and sports facilities.

Background

Redevelopment agencies. From the early 1950s until their dissolution in 2011, California redevelopment agencies (RDAs) used property tax increment financing (TIF) to pay for economic development projects in blighted areas pursuant to Community Redevelopment Law. Generally, TIF 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 generated when projects the bonds finance 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—flow to the TIF district instead of other local agencies. After the district has repaid the bonds using the incremental property tax revenues, the district dissolves, ending the diversion of tax increment revenues from participating local agencies.

Citing a significant state General Fund deficit, Governor Brown's 2011-12 budget proposed eliminating RDAs and diverting billions of dollars of property tax revenues back to schools, cities, and counties to fund core services. Among the statutory changes the Legislature adopted to implement the 2011-12 budget, AB X1 26 (Blumenfield, 2011) dissolved all RDAs. The California Supreme Court's 2011 ruling in *California Redevelopment Association v. Matosantos* upheld the dissolution of RDAs.

RDAs' dissolution deprived many local governments of the primary tool they used to eliminate physical and economic blight, finance new construction, improve public infrastructure, rehabilitate existing buildings, and increase the supply of affordable housing.

Following their dissolution, local officials sought other ways to use TIF to raise the capital they need to fund public works projects. In response, the Legislature enacted SB 628 (Beall, 2014) 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. While the Legislature has created other similar financing tools, they have seldom, or never, been used.

Infrastructure revitalization financing districts (IRFDs). The Legislature authorized the creation of IRFDs in 2014 (AB 229, Perez). Similar to EIFDs, IRFDs use TIF to fund infrastructure projects. To establish an IRFD, a city or county must adopt a resolution of intention that outlines the types of facilities it will finance, that it will use TIF to finance those facilities, and fix a time and place for a public hearing on the proposed district. The city or county must mail a copy of the resolution to each landowner and affected taxing entity. After adopting the resolution, the city or county must direct the city engineer to prepare an infrastructure financing plan (IFP) describing the proposed district, including:

- A map of the district;
- A description of the facilities the district will finance;
- A finding that the facilities are of communitywide significance;
- The amount of tax increment taxing entities will contribute; and
- A date when the district will cease to exist, which cannot exceed 40 years from the date the city or county forms the district.

The city or county must send each landowner and affected taxing entity a copy of the IFP and conduct a public hearing no sooner than 60 days after sending the plan. At the conclusion of the hearing, the city or county can adopt a resolution proposing formation of the district. Upon adopting the resolution, the city or county must receive 2/3 voter approval at the next general election to form the district. The IRFD must also receive 2/3 voter approval to issue bonds, but can consolidate the elections to form the district and issue bonds.

Once formed, IRFDs can finance the purchase, construction, expansion, improvement, seismic retrofit, or rehabilitation of any real or other tangible property with an estimated useful life of 15 years or longer, planning and design work directly related to that property and other specified costs. However, IRFDs must not finance routine maintenance, repair work, or the costs of ongoing operation or for providing services of any kind. These projects must be of communitywide significance, and can include everything from highways and public utility infrastructure to the acquisition, construction, or repair of commercial or industrial structures for private use. In 2017, the City and County of San Francisco formed an IRFD to finance infrastructure projects on Treasure Island.

City of West Sacramento. The City of West Sacramento, a city of over 50,000 residents in Yolo County, borders the City of Sacramento. Since 2000, the city has housed Sutter Health Park, which is home to the Sacramento River Cats, a minor league affiliate of the San Francisco Giants, and is the temporary home of Major League Baseball's (MLB) Athletics. The ballpark serves as the primary anchor of the city's riverfront Bridge District. City officials have credited the stadium with attracting housing, restaurants, entertainment venues, and other private investment to the riverfront, while helping secure infrastructure funding and economic development opportunities that may not otherwise have occurred. Private financing, not public financing, was used to build the ballpark. Since 2014, West Sacramento has had an EIFD to use TIF to finance projects in the Bridge District.

In May 2026, officials from West Sacramento and Sacramento announced a $1 billion plan to attract a permanent MLB franchise in West Sacramento. The plan includes a new stadium, with income coming from TIF.

To prepare for financing the new stadium and associated infrastructure, the author wants to allow IRFDs to finance entertainment or sports facilities.

Proposed Law

Senate Bill 226 allows IRFDs to finance entertainment or sports facilities.

Comments

1. Purpose of the bill. According to the author, "The City of West Sacramento has emerged as one of the jurisdictions in California effectively using infrastructure financing districts and similar tools to drive development. When putting together large revitalization and infrastructure projects representing hundreds of millions or billions of dollars in investments, certainty matters. By making this straightforward clarification to existing law, any ambiguity would be removed, providing legal certainty to local agencies. Importantly, the major economic development opportunities utilizing IRFDs and the like, generate jobs and revitalize communities without burdening taxpayers or general fund resources."

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. For example, a Public Policy Institute of California study on 38 different RDA projects found that, "Across all the projects, the RDAs generated just 51 percent of their tax increment revenues in fiscal year 1994–1995. This means that other governments—the state, counties, and special districts—provided subsidies to these RDAs of over $38 million that year (after accounting for pass-through payments)."[1] This research suggests that TIF districts, like IRFDs, won't effectively finance infrastructure projects without a subsidy.

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[1] Michael Dardia, Subsidizing Redevelopment in California (Public Policy Institute of California: January 1998). http://www.ppic.org/content/pubs/report/R_298MDR.pdf

3. Pick me. Since RDAs dissolved in 2012, the Legislature has created numerous TIF tools. Despite the creation of these numerous tools, local agencies so far have largely relied upon EIFDs to use TIF financing. This is for several reasons, including recent efforts to streamline their formation process [SB 780 (Cortese, 2021), SB 1140 (Caballero, 2024), and AB 417 (Carrillo, 2025)] and because they do not require voter approval to form or issue bonds. Instead, EIFDs rely upon a process that allows residents to protest their formation. SB 226 picks a different TIF tool, which has been used more sparingly, to give the authority to finance sports and entertainment facilities. IRFDs, unlike EIFDs, require 2/3 voter approval for formation and to issue bonds, making them more time-consuming and costly to form. However, the additional public input that IRFD law requires may be justified because IRFDs can finance any commercial facilities, but EIFDs only have the explicit authority to finance commercial facilities for small businesses. One of the critiques of original RDAs was that cities used them to finance commercial facilities that had greater private commercial benefits than public benefits. While SB 226 expands the types of commercial facilities IRFDs can finance to include entertainment and sports facilities, it preserves the 2/3 vote requirement to form IRFDs and issue bonds, which ensures the public has adequate input in decisions to use TIF to finance commercial facilities.

4. Necessary? Since 2014, IRFDs have had the authority to finance the acquisition, construction, or repair of commercial or industrial structures for private use. This would appear to include entertainment or sports facilities. While SB 226 would explicitly authorize entertainment or sports facilities, IRFDs may already have this authority.

5. Gut and amend. As introduced in January 2025, SB 226 authorized a community college board of governors to approve the transfer of territory to another district. On June 11, 2026, the author amended the bill to remove those contents and insert provisions pertaining to IRFDs. Because this topic was never heard in the Senate, the Senate Rules Committee referred the amended bill under Senate Rule 29.10(d) to the Senate Committee on Local Government for a hearing on the Assembly's amendments. At its hearing, the Committee has four choices:

- Send the bill back to the Senate Floor, recommending concurrence;
- Send the bill back to the Senate Floor, recommending nonconcurrence;
- Send the bill back to the Senate Floor, without recommendation; or
- Hold the bill.

Assembly Actions

Assembly Arts, Entertainment, Sports, and Tourism Committee:	9-0
Assembly Local Government Committee:	10-0
Assembly Floor:	77-0

Support and Opposition (8/25/26)

Support: California Hotel & Lodging Association
California Retailers Association
California Travel Association (CALTRAVEL)
City of Sacramento
City of West Sacramento
Greater Sacramento Economic Council
Sacramento Hotel Association (SHA)

Opposition: None Submitted

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