UNFINISHED BUSINESS

Bill No: SB 226
Author: Cabaldon (D), et al.
Amended: 6/11/26
Vote: 21

Prior Senate votes not relevant.

SENATE LOCAL GOVERNMENT COMMITTEE: 6-0, 8/26/26
AYES: Durazo, Choi, Arreguín, Cervantes, Laird, Seyarto
NO VOTE RECORDED: Ashby

ASSEMBLY FLOOR: 77-0, 8/20/26 - See last page for vote

SUBJECT: Infrastructure revitalization financing districts

SOURCE: Author

DIGEST: This bill allows infrastructure revitalization financing districts to finance entertainment and sports facilities.

Assembly Amendments deleted the contents of the bill and inserted the current provisions.

ANALYSIS:

Existing law:

1) Authorizes a city or county to create an infrastructure revitalization financing districts (IRFDs) by adopting a resolution of intention that outlines the types of facilities it will finance, that it will use tax-increment financing (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 as specified.

2) Requires the city or county to 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.

3) Requires, upon adopting the resolution, the city or county to 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.

4) Allows IRFDs to 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.

This bill allows IRFDs to finance entertainment or sports facilities.

Background

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.

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, Chapter 785, Statutes of 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.

The Legislature authorized the creation of IRFDs in 2014 (AB 229, Pérez, Chapter 775, Statutes of 2014). In 2017, the City and County of San Francisco formed an IRFD to finance infrastructure projects on Treasure Island.

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. This research suggests that TIF districts, like IRFDs, won't effectively finance infrastructure projects without a subsidy.

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 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.

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

SUPPORT: (Verified 8/26/26)

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: (Verified 8/26/26)

None received

ASSEMBLY FLOOR: 77-0, 8/20/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NO VOTE RECORDED: Chen, Jackson

Prepared by: Jonathan Peterson / L. GOV. / (916) 651-4119
8/26/26 13:00:01

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