SENATE THIRD READING
STR Bill Id:SB 516¶Author:(Ashby)
As Amended Ver:July 17, 2025
Majority vote

SUMMARY

Enacts the California Capital City Downtown Revitalization Act, which creates a new type of enhanced infrastructure financing district (EIFD) specific to Downtown Sacramento.

Major Provisions

1) Enacts the California Capital City Downtown Revitalization Act within EIFD Law.

2) Specifies that the City of Sacramento or the County of Sacramento may create a California Capital City Downtown Revitalization District (downtown district). Unless explicitly specified otherwise in this bill, a district is an EIFD subject to the provisions of EIFD Law.

3) Provides that the area to be financed with funds received pursuant to this bill is within the downtown Sacramento geographic area, defined by the Sacramento River, the American River, Broadway, and Alhambra Boulevard.

4) Authorizes an affected taxing entity, as defined, located entirely, or in part, in the County of Sacramento to opt in to a downtown district, as specified.

5) Provides that upon its creation, a downtown district may accept any state funds, as specified.

6) Provides that an EIFD is not prohibited from utilizing any state funds to support its activities, as specified.

COMMENTS

1) *Redevelopment.* Article XVI, Section 16 of the California Constitution authorizes the Legislature to provide for the formation of redevelopment agencies (RDAs) to eliminate blight in an area by means of a self-financing schedule that pays for the redevelopment project with tax increment derived from any increase in the assessed value of property within the redevelopment project area (or tax increment). Generally, property tax increment financing involves a local government forming a tax increment financing 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 government 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 tax increment financing district instead of other local governments. 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 governments.

Prior to Proposition 13, very few RDAs existed; however, after its passage, RDAs became a source of funding for a variety of local infrastructure activities. Eventually, RDAs were required to set aside 20% of funding generated in a project area to increase the supply of low and moderate income housing in the project areas. At the time RDAs were dissolved, the Controller estimated that statewide, RDAs were obligated to spend $1 billion on affordable housing. At the time of dissolution, over 400 RDAs statewide were diverting 12% of property taxes, over $5.6 billion yearly.

In 2011, facing a severe budget shortfall, the Governor proposed eliminating RDAs in order to deliver more property taxes to other local agencies. Ultimately, the Legislature approved and the Governor signed two measures, ABX1 26 (Blumenfield), Chapter 5 and ABX1 27 (Blumenfield), Chapter 6 that together dissolved RDAs as they existed at the time and created a voluntary redevelopment program on a smaller scale. In response, the California Redevelopment Association (CRA) and the League of California Cities, along with other parties, filed suit challenging the two measures. The Supreme Court denied the petition for peremptory writ of mandate with respect to ABX1 26. However, the Court did grant CRA's petition with respect to ABX1 27. As a result, all RDAs were required to dissolve as of February 1, 2012.

2) *Attempts to Replace RDAs.* After the Supreme Court's 2011 Matosantos decision dissolved all RDAs, legislators enacted several measures creating new tax increment financing tools to pay for local economic development. The Legislature authorized the creation of EIFDs [SB 628 (Beall), Chapter 785, Statutes of 2014] quickly followed by CRIAs [AB 2 (Alejo), Chapter 319, Statutes of 2015]. Similar to EIFDs, CRIAs use tax increment financing to fund infrastructure projects. CRIAs may currently only be formed in economically depressed areas.

   The Legislature has also authorized the formation of affordable housing authorities (AHAs), which may use tax increment financing exclusively for rehabilitating and constructing affordable housing and also do not require voter approval to issue bonds [AB 1598 (Mullin), Chapter 764, Statutes of 2017]. SB 961 (Allen), Chapter 559, Statutes of 2018, removed the vote requirement for a subset of EIFDs to issue bonds and required these EIFDs to instead solicit public input, and AB 116 (Ting), Chapter 656, Statutes of 2019, removed the voter requirement for any EIFD to issues bonds in favor of a formal protest process. SB 852 (Dodd), Chapter 266, Statutes of 2022, created climate resilience districts (CRDs), which can also utilize tax-increment financing. CRDs were also given the authority to issue general obligation bonds and impose special taxes. While these entities share fundamental similarities with RDAs in terms of using various forms of tax-increment financing, they differ in two significant aspects, 1) not having access to the school's share of property tax increment, and 2) not automatically including the tax increment of other taxing entities.

3) *EIFD Governance.* To create an EIFD, the legislative body of a city or county must adopt a resolution of intention to establish the EIFD. The resolution must state a time and place for a hearing on the proposal, the proposed district's boundaries, the types of facilities and development to be financed, the need for the district, the goals the district proposes to

achieve, and that incremental property tax revenues may be used to finance the EIFD's activities.

4) 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, they can agree to reduce the district's governing board to one member and one alternate member of each legislative body and a minimum of two public members.

5) *EIFD Formation and Plan Adoption.* The city or county must create the PFA at the same time it adopts the resolution of intention. The PFA then provides public notice and directs an official to prepare an infrastructure financing plan (IFP). This process requires the PFA to make the draft infrastructure financing plan available to the public and to each landowner within the area at least 30 days before noticing the first public meeting. SB 1140 (Caballero), Chapter 599, Statutes of 2024, made a number of changes to EIFD law, including reducing the number of meetings a PFA must hold to consider an EIFD's formation from four to three as follows:

   a) One meeting to present the IFP to the public and answer questions.

   b) One public hearing to consider any written and oral comments and take action to modify or reject the IFP.

   c) If the IFP is not rejected at the first hearing, the PFA must hold a second public hearing where it must hold a protest proceeding to consider IFP adoption.

   These meetings must be at least 30 days apart and noticed in an easily identifiable and accessible location on the EIFD's website. The PFA must mail a written notice, within the propose EIFD, of the meeting or public hearing to each landowner, each resident, and each taxing entity at least 10 days before the meeting or public hearing. Before the PFA holds each public meeting or hearing, it must meet certain noticing requirements. All notices must describe the:

   a) EIFD's boundaries.

   b) Purpose of the IFP.

   c) Time, place, and location where people can provide written and oral comments.

   To reduce mailing costs, SB 780 (Cortese), Chapter 391, Statutes of 2021, allowed the PFA to consolidate some of the mailing and meeting notice requirements. Under this alternative process, the official responsible mails each landowner, resident, and affected taxing entity a notice at least 40 days prior to the first meeting with: (1) a plan summary, (2) a website where the documents are available, (3) a contact person to receive requests for mailed materials, and, (4) the location and time for the first two public meetings. SB 1140 revised the alternative mailing and noticing process to include all EIFD formation meetings, annual reports, and potential amendments, and required specified information to be included in the notice, as applicable. The PFA must also review the IFP annually and adopt an annual report by June 30 each year, make any amendments to the IFP that are necessary, and prepare an annual independent financial audit.

6) *Sacramento EIFDs.* According to the City and the County of Sacramento, at least three EIFDs have been created in recent years including:

   a) The Stadium Area EIFD was established by the City of Sacramento on December 10, 2019 to finance certain public infrastructure improvements in support of a new Major League Soccer stadium, including roadway and sewer improvements, a new Regional Transit station, and a paseo for bike and pedestrian access located in or around the Downtown Sacramento Railyards.

   b) The Aggie Square EIFD was established by the City of Sacramento on April 13, 2021 and was formed to finance certain public infrastructure improvements in support of the Aggie Square Innovation and Research Center. The infrastructure improvements include roadway, storm water, water, and sewer improvements within and surrounding the Project, and affordable housing investments.

   c) The Metro Air Park EIFD was established near the Sacramento International Airport by the County of Sacramento on April 5, 2022. The public facilities proposed to be financed by the Metro Air Park EIFD are generally described as roadway, freeway, fire station, water system, storm drainage, pump station, light rail, and sewer facilities.

According to the Author
"As the Capitol of California, Sacramento has a uniquely high concentration of state-owned buildings and property, particularly within its downtown core. Over 60% of downtown Sacramento's office space is owned or leased by the state and is therefore exempt from local property taxes. This leaves the city with fewer resources to invest in infrastructure, housing, and public services.

"SB 516 gives the City and County of Sacramento the ability to establish a special financing district, an Enhanced Infrastructure Financing District (EIFD), to reinvest local tax dollars back into the downtown area. Once created, the district would also be eligible for state funding and could issue bonds, providing the city with a flexible tool to move forward on critical projects like housing, transit, and revitalization."

Arguments in Support
According to the sponsor, the Downtown Sacramento Partnership, "In 2022, Sacramento became the first municipality in the state of California to be designated as a pro-housing jurisdiction, yet despite pro-housing policies, the city achieved only 42% of the annual housing production identified by the Regional Housing Needs Allocation (RHNA) in 2024. This legislation will help deliver mid-to-high density housing projects at all levels of affordability at our most location-efficient, transit-oriented locations in the neighborhoods surrounding the State Capitol and will serve as a model for a sustainable livability strategy which may be scaled in urban centers throughout the state.

"Without swift action and multi-jurisdictional participation at state and local levels, downtown Sacramento will miss the moment to lean into significant housing production, economic and educational diversification in its urban core, which must be the future for the capital city's central neighborhood if we are going to create a more sustainable future."

Arguments in Opposition
None on file.

FISCAL COMMENTS

None.

VOTES

SENATE FLOOR: 38-0-2
YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
ABS, ABST OR NV: Cortese, Reyes

ASM LOCAL GOVERNMENT: 10-0-0
YES: Carrillo, Ta, Hoover, Pacheco, Ramos, Ransom, Blanca Rubio, Stefani, Ward, Wilson

UPDATED

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