

Date of Hearing: July 16, 2025

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

SB 549 (Allen) – As Amended June 23, 2025

SENATE VOTE: 28-10

SUBJECT: Local government: Second Neighborhood Infill Finance and Transit Improvements Act: Resilient Rebuilding Authority for the Los Angeles Wildfires

SUMMARY: This bill removes the authority for a subset of enhanced infrastructure financing districts (EIFDs) to receive sales and use tax revenue and authorizes Los Angeles (LA) County to establish a Resilient Rebuilding Authority (RRA). Specifically, **this bill:**

- 1) Removes the ability of an EIFD formed under the Second Neighborhood Infill Finance and Transit Improvements (NIFTI-2) Act to capture specified sales and use tax revenues.
- 2) Removes the requirement that NIFTI-2 districts be coterminous with the city or county that created them.
- 3) Authorizes LA County to establish a RRA for the Los Angeles Wildfires to coordinate, accelerate, and streamline recovery in all jurisdictions impacted by the January 2025 wildfires.
- 4) Provides that LA County, in order to support the rebuilding and protection of homes, businesses, utilities, and other public infrastructure, may employ the RRA, to the extent permitted by existing law, to engage in all of the following responsibilities:
 - a) Issue, receive, and administer funds, including, but not limited to, tax-increment financing, federal loans and grants, state loans and grants, and philanthropic grants, to support recovery.
 - b) Manage and coordinate rebuilding and related logistics between public and private reconstruction, including, but not limited to, private contractors, public and private utilities, and local governments.
 - c) Purchase lots at a fair price for land banking with first look sale options provided to returning residents and their families, and to create community amenities such as open space that promotes community-scale resiliency and insurability.
 - d) Work with builders to reconstruct properties designed and built to resilient construction standards, and that prioritize strategies for accelerated and cost-effective rebuilding.
 - e) Create economies of scale for acquiring equipment and materials to cost-effectively purchase critical construction materials in bulk.
 - f) Support the reconstruction workforce by partnering with trades, facilitating training and workforce development, and creating temporary workforce housing.

- g) Enhance financing options for families and businesses that cannot afford to rebuild by deploying subsidized financing and grants in partnership with private lenders, community development finance institutions, private philanthropy and nonprofit organizations.
 - h) Facilitate reconstruction of lost rental housing stock, including by promotion of accessory dwelling units, senior-serving housing, and replacement of affordable housing lost in the fires.
 - i) Carry out other activities that enhance neighborhood and property insurability and affordability, and promote a resilient and sustainable recovery.
 - j) Provide a meaningful mechanism for community engagement.
- 5) Makes technical and conforming changes.
- 6) Finds and declares, with respect to 3) and 4), above, that a special statute is necessary and that a general statute cannot be made applicable because of the unique circumstances facing LA County due to the wildfires of January 2025.

FISCAL EFFECT: None.

COMMENTS:

- 1) **Bill Summary.** This bill specifies that LA County can establish a RRA for the Los Angeles Wildfires to coordinate, accelerate, and streamline all jurisdictions impacted by the January 2025 wildfire. LA County may empower the RRA, to the extent permitted by existing law, to engage in a number of enumerated activities to support the rebuilding and protection of homes. This bill also removes the ability of an EIFD formed under the NIFTI-2 Act to capture specified sales and use tax revenues, and removes the requirement that NIFTI-2 districts be coterminous with the city or county that created them. The Author is the sponsor of this bill.
- 2) **Author's Statement.** According to the Author, "The 2025 Los Angeles Wildfires devastated communities, yet no centralized structure has emerged to promote rebuilding in a fast, affordable, and resilient manner. SB 549 builds upon the Los Angeles Blue Ribbon Commission's report by authorizing the creation of a Resilient Rebuilding Authority to foster collaboration and provide a singular entity that impacted residents can turn to for assistance and accountability. In addition, SB 549 creates more flexibility for local governments to finance investments in climate resilient communities through the Second Neighborhood Infill Finance and Transit Improvements Act to build housing, transit, and green space in dense communities."
- 3) **Los Angeles Fires.** In early January 2025, extremely dry conditions and high winds in Los Angeles resulted in two of the most destructive wildfires in state history. According to a January 31, 2025, *NBC News* article, The Palisades fire, which started on January 7th, burned a total of 23,448 acres and damaged or destroyed almost 8,000 structures in the Pacific Palisades and Topanga State Park area of west Los Angeles. That same day, other fires also broke out in the greater Los Angeles area: the Eaton and Hughes fires. The Eaton fire consumed 14,021 acres and damaged or destroyed more than 10,000 structures, including significant portions of the unincorporated community of Altadena. The fires destroyed about

half of all properties in both Palisades and Altadena and caused the deaths of at least 29 people.

According to a February 21, 2025, *Los Angeles Times* article, “Real estate losses from the Palisades and Eaton fires could top \$30 billion, and government agencies that receive revenue from taxes stand to lose \$61 million or more annually while homes are being rebuilt, a Times analysis shows.

“The analysis, comparing California Department of Forestry and Fire Protection assessments of buildings destroyed and damaged with Los Angeles County assessor parcel records, gives new perspective to the extent of the toll on the two communities. The fires destroyed structures on 56% of all the properties making up the Pacific Palisades. Nearly half of properties in Altadena were destroyed. More than 300 were commercial buildings. Churches, schools and hospitals were also lost. By far, the biggest impact was on homes.

“In all, just under 13,000 households were displaced by the two fires. They came from nearly 9,700 single-family homes and condominiums, almost 700 apartment units, more than 2,000 units of duplexes and bungalow courts and 373 mobile homes that Cal Fire determined were either destroyed or heavily damaged.”

- 4) **Los Angeles Blue Ribbon Commission.** Established by Los Angeles County Supervisor Lindsey Horvath in February 2025, the Blue Ribbon Commission on Climate Action and Fire-Safe Recovery was formed with the goal to deliver actionable and timely recommendations for how the City of Los Angeles, the cities of Pasadena, Malibu, and other affected municipalities, the County of Los Angeles, the state of California, the federal government, and key partners can lead a climate-resilient rebuilding effort. The Commission released a report in collaboration with the University of California, Los Angeles (UCLA) in June and provided numerous recommendations to advance recovery and the region’s long-term resilience.

One of the principal, overarching proposals from the report is the formation of a RRA to meet the immediate, extensive, and ongoing resilient rebuilding needs in Altadena and Pacific Palisades. The report recommends that the RRA have the power to “facilitate large-scale rebuilding, planning, land banking, logistics management, and contracting to reduce costs, increase efficiency, and ensure implementation of resilience and sustainability best practices.” Specifically, the recommended RRA would have extensive power, including:

- a) Using tax increment financing and other financing tools like EIFDs and Climate Resilience Districts (CRDs).
- b) Working with community-oriented financing institutions to enhance opportunities to offer affordable financing options for residents lacking the resources to fully fund their individual home rebuilding needs.
- c) Establishing easements and/or purchase of available land at fair prices to bank land for reconstruction and other identified community needs.
- d) Managing logistics for rebuilding.

- e) Coordinating bulk and discounted purchases of fire-resistant building materials, among other items.
- f) Planning and implementing the rebuilding of neighborhood-serving retail districts through the purchase, assembly, entitlement, and financing of commercial and mixed-use corridors.
- g) Ensuring the rebuilding of replacement housing for apartment and other multifamily units destroyed or damaged in the fires at rents matching the affordability profile of the units lost in the January 7th firestorm.
- h) Serving as a coordinating body for utility and infrastructure upgrades, while providing funds for upgrades and opportunities for bulk purchasing and master contracting.
- i) Coordinating with other public agencies to implement landscape-scale fire mitigation practices.
- j) Identifying opportunities to enhance evacuation routes when restoring commercial corridors and rebuilding housing supply.

The recommendation also notes that the RRA should be granted limited eminent domain authority in commercial corridors and multifamily-zoned areas. The report notes that similar rebuilding authorities have existed in the past.

- 5) **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.

- 6) **Disaster RDAs.** Because of their extraordinary powers to generate public capital and manage real estate, redevelopment agencies could speed recovery after disasters. The Community Redevelopment Disaster Project Law allowed local officials to accelerate the adoption of redevelopment plans after declared disasters [AB 189 (Hauser), Chapter 186, Statutes of 1995].

Standard redevelopment law set time limits on redevelopment activities: 20 years to create debt, 30 years for the effectiveness of the redevelopment plan, and 45 years to repay debt with property tax increment revenues. The disaster redevelopment law cut those deadlines to 10 years to create debt, 10 years for the plan's effectiveness, and 30 years to repay debt.

- 7) **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 and infrastructure 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 issue 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.

- 8) **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.

An EIFD is governed by a 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.

- 9) **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.

- 10) **NIFTI-2.** Intending to provide additional incentives for the formation of EIFDs, the Legislature allowed certain EIFDs to form under the Neighborhood Infill Finance and Transit Improvements Act, known as "NIFTIs" [AB 1568 (Bloom), Chapter 562, Statutes of 2017]. NIFTIs may receive a portion of sales and use taxes contributed by participating entities in exchange for spending 20% of the NIFTI's total funds on housing affordable to lower income households. The Legislature also enacted SB 961 (Allen), Chapter 559, Statutes of 2018, or the Second Neighborhood Infill Finance and Transit Improvements Act, also known as "NIFTI-2." NIFTI-2 made several key changes to the first NIFTI Act. First, NIFTI-2's must be within a half mile of a major transit stop. A NIFTI-2 must divide its revenues as follows:

- a) At least 40% to build housing affordable to households with income below 60% of the area median income (AMI). Of this amount, the NIFTI-2 must use half for households 30% to 60% AMI, and the other half for households below 30% AMI or for permanent supportive housing for individuals experiencing homelessness.
- b) At least 10% for parks, urban forestry, greening improvements, or active transportation capital costs.

Funding not used for the above purposes can be used for other specified housing, transit, and greenhouse-gas reducing projects. Similar to the original NIFTI legislation, NIFTI-2s must also be coterminous with the city or county that created them. NIFTI-2 law requires the plan to ensure that the bill's requirements are met every ten years, and prohibits NIFTI-2s from funding highway projects.

NIFTI-2 affordable housing projects must include covenants to ensure they remain affordable for the longest feasible time, but for not less than 55 years for rental units and 45 years for owner-occupied units. A NIFTI-2 must first prioritize its affordable housing units for individuals who meet income requirements displaced from the district through no fault of their own, and secondly for households with a member employed within two miles of the district. A city or county cannot terminate a NIFTI-2 before the district has complied with its affordable housing obligations. NIFTI-2s do not require voter approval to issue bonds, but they do require the district to go through a similar protest process that EIFDs must go through with one key difference: NIFTI-2s must repeat this process every ten years.

11) **Policy Considerations.** The Committee may wish to consider the following:

- a) **Resilient Rebuilding Authority.** In response to recommendations from the Blue Ribbon Commission on Climate Action and Fire-Safe Recovery, this bill would allow LA County to establish a RRA and empower the RRA, *to the extent permitted by existing law*, to engage in numerous activities to support the rebuilding and protection of homes. Many of the enumerated powers of an RRA are broad and undefined, and it is unclear how many of them would ultimately be implemented. Moreover, these provisions seemingly do not allow LA County to do anything that it cannot already do, as the bill expressly limits its authority to what is already permitted by existing law. According to the author, the RRA would streamline complex recovery efforts, prioritize and support the return of residents and businesses, and enable rebuilding by displaced owners of homes and rental and commercial properties. However, it is not entirely clear what prevents LA County from forming the RRA on its own, without state intervention, and if it is necessary to form an RRA in order for LA County to accomplish the goals of the RRA. Given the lack of clarity, the Committee may wish to consider if this portion of the bill is necessary and if it achieves its desired intent.
- b) **Will This Help?** Despite the additional powers that NIFTI-2s have in relation to EIFDs, including the use of local sales tax, it is unknown if any local agency has created such a district; however, this bill makes further tweaks to NIFTI-2 statutes intended to encourage their creation. NIFTI-2 statutes allow the district to use sales tax revenue, but because it can be difficult to determine where sales take place in non-contiguous segments of a city or county, NIFTI-2 law required districts to be coterminous with the city or county that creates it. While removing the requirement for contiguity may help make it easier to form such a district, losing the authority to use sales and tax revenue means these districts have fewer revenue sources compared to EIFDs generally. The Committee may wish to consider if this bill will increase the chances a NIFTI-2 will be established.

- 12) **Related Legislation.** AB 417 (Carrillo) makes numerous changes to EIFD law and CRIA law. AB 417 is currently on the Senate Floor.

SB 5 (Cabaldon) prohibits EIFDs and CRIAs from including taxes levied upon parcels enrolled in a Williamson Act or farmland security zone contract. SB 5 is currently pending in this committee.

SB 516 (Ashby) enacts the California Capital City Downtown Revitalization Act, which creates a new type of EIFD specific to Downtown Sacramento. SB 516 is currently pending in this committee.

SB 782 (Perez) creates a subcategory of climate resilience districts to finance disaster recovery efforts. SB 782 is currently pending in this committee.

- 13) **Arguments in Support.** According to LA County Supervisor, Lindsey P. Horvath, “A Resilient Recovery Authority would raise funds, enhance, and coordinate the reconstruction of homes, businesses, and infrastructure across all fire-impacted jurisdictions. The model builds on the incredible success of the Los Angeles County-CalOES-FEMA-U.S. Army Corps of Engineers fire debris removal program. It would not supplant local governments’ land use authority or their ultimate role in ensuring building and life safety. Instead, it would work in lockstep with local governments to implement each community’s vision for a safe and resilient recovery, informed by community and best practices. The Authority would replicate the opt-in collaboration of the fire debris removal process to get residents home, which they need and deserve.

“Property owners looking to rebuild would not be required to coordinate through the Authority, but could expect a faster, more resilient, and less costly recovery if they do so. The Authority would act as the rebuilding lead and partner with state and local governments, the private sector, nonprofits, philanthropy, and impacted communities to efficiently scale resources. It would leverage local governments’ existing capacities in building infrastructure, public and housing finance, and community development and work in tandem with community, private, and nonprofit partners. The Authority would be funded through issuance of bonds, tax-increment financing, state and federal grants, and philanthropic support. The Authority could also provide a mechanism to protect communities from predatory land speculation, bulk purchase to drive down material costs, and support and grow the local workforce to meet this new demand.

“The January 2025 wildfires damaged or destroyed more than 16,000 structures across Los Angeles County. It is the costliest natural disaster in American history and the worst disaster ever to hit our region. The unprecedented scale of the disaster across so many communities requires a new approach to accelerate our recovery.”

- 14) **Arguments in Opposition.** According to Altadena Action for Community Transformation, Beautiful Altadena, and the Sustainable Community Development Corporation, “Our organizations are acutely familiar with the effects of bills like SB 549, which seeks to add an additional layer of bureaucracy and complication on a community already reeling from a disaster. SB 549 removes community input, community accountability, and increases the power to those who many in our community consider too powerful and ineffective today.

Since Altadena is unincorporated, we depend on LA County to provide services and support. The lack of response plan, lack of support, and errors in addressing the fires in the first place have tarnished the County's image in the community. Adding more power to them is contradictory to where our community is now, and Altadena vehemently opposes any further concentration of that power, which SB 549 does in spades. Altadena has its own path. We are comfortable with the efforts of Assemblyman Harabedian and his bill (AB 797, the Community Stabilization Act). That bill affords 'choice' and allows the community a measure of control over the implementation. In contrast, SB 549 is the opposite. It vests more authority with the County which residents have experienced a significant loss of faith in.

"...We feel there are ways to access the funds SB 549 wishes to raise without the 'extraordinary' approaches envisioned in the legislation. SCDC has worked with numerous groups and at the local, state, and federal levels to identify the funds and the mechanisms to capture them. Those funds require community buy in. We will need to have accountability to those residents still remaining in Altadena, the Palisades and beyond. While 'official' channels may be conveying support, the grass roots are saying 'no' to these proposals, especially SB 549. We have options. We have multiple paths outside of a new authority. Local leadership should be devoted to these types of efforts as opposed to creating more layers to limit our recovery. Your committee does not need to be spending its valuable time evaluating redundant solutions, adding more legislation and regulation to an already exceedingly complex environment."

REGISTERED SUPPORT / OPPOSITION:

Support

Climate Resolve

LA County Supervisor, Lindsey P. Horvath

Opposition

Altadena Action for Community Transformation

Beautiful Altadena

Brentwood Community Council (unless amended)

California (un)Incorporated

Sustainable Community Development Corporation

18 Individuals

Analysis Prepared by: Jimmy MacDonald / L. GOV. / (916) 319-3958