

Date of Hearing: March 26, 2025

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

AB 417 (Carrillo) – As Amended March 6, 2025

SUBJECT: Local finance: enhanced infrastructure financing districts: community revitalization and investment authorities.

SUMMARY: Makes numerous changes to Enhanced Infrastructure Financing District (EIFD) law and Community Revitalization and Investment Authority (CRIA) law. Specifically, **this bill:**

- 1) Removes the requirement that an EIFD may only finance the acquisition, construction, or repair of commercial structures by the small business occupant of such structures, if such acquisition, construction, or repair is for purposes of fostering economic recovery from the COVID-19 pandemic.
- 2) Specifies that amendments to an approved infrastructure financing plan (IFP) to add a participating taxing entity and its representatives as members of a public financing authority (PFA) after the date of EIFD formation, may be approved by a majority vote of the PFA at a public hearing held following the provision of a 30-day mailed notice describing the proposed changes to all property owners, residents, and affected taxing entities.
- 3) Clarifies for the purposes of amending an IFP, that an increase of the limit of the total number of dollars in local taxes allocated to the IFP does not include where the increase is a result of an affected taxing entity agreeing to participate in the existing EIFD and the plan is amended pursuant to 2), above.
- 4) Provides that a PFA shall adopt an annual report within seven months of the close of each fiscal year rather than on or before June 30 of each year.
- 5) Specifies that at any time after the date of EIFD formation, an affected taxing entity may choose to approve the IFP and participate in the division of taxes used to finance the activities of an EIFD, by adopting a resolution of the governing body.
- 6) Provides that a CRIA may carry out a community revitalization plan (CRP) within a CRIA where not less than 60%, instead of 70%, of the land calculated by census tracts, census block groups, as defined by the United States Census Bureau, or any combination of both within the area shall meet either, instead of both, of the specified conditions.
- 7) Specifies that a CRIA shall consider the adoption of a CRP at two public hearings, instead of three, as specified.
- 8) Provides that as an alternative to mailing separate mailed notices prior to the meeting or public hearing, as specified, the CRIA may mail a notice to each landowner, resident, and affected taxing entity at least 40 days before the specified meeting. The notice shall include all of the following, as applicable:
 - a) A summary of the CRP, including all required information.

- b) The internet website where the applicable documents, as specified, will be made available for public viewing or inspection.
 - c) A designated contact person to receive and process any requests for a mailed or electronically mailed packet of all materials.
 - d) The location, date, and time of the meeting and the two specified public hearings.
 - e) A description of the actions that may be taken at the specified meeting and the two public hearings.
 - f) A description of the schedule, information, and process for accessing any amendments to the CRP.
 - g) A description of the schedule, information, and process for accessing annual reports.
- 9) Specifies that if the first or second hearing on the CRP occurs at the location, date, and time listed in the mailed notice described in 8), above, then the CRIA shall be deemed to comply with the specified 10-day mailed notice requirement.
- 10) Provides that if any public hearing is rescheduled for a later date than listed in the notice described in 8), above, due to unanticipated circumstances, the CRIA shall do all of the following:
- a) Publish a notice of the rescheduled date and time of the first or second public hearing, at least 10 days before the meeting, in a newspaper, as specified.
 - b) Post, at least 10 days before the rescheduled public hearing, notice of the rescheduled date and time of the first or second public hearing on the specified internet website.
 - c) Email, at least 10 days before the rescheduled public hearing, notification of the rescheduled date and time of the first or second public hearing to the email contact list assembled and maintained in accordance with 11), below.
- 11) Requires the specified contact person to assemble and maintain an email contact list of all landowners, residents, and other interested parties who have expressed interest in receiving information and materials.
- 12) Provides that specified required notices shall be provided in English and in all other languages spoken jointly by 20% or more of the population in the jurisdiction of the county of the proposed CRIA that speaks English less than “very well” and jointly speaks a language other than English according to data from the most recent American Community Survey or data from an equally reliable source.
- 13) Makes numerous other technical, clarifying, and conforming changes.
- 14) Contains legislative findings and declarations to support its purposes.

FISCAL EFFECT: None.

COMMENTS:

- 1) **Redevelopment.** Article XVI, Section 16 of the California Constitution authorizes the Legislature to provide for the formation of 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 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.

- 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.

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.

- 4) **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 proposed 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.

5) **What can EIFDs Finance?** EIFDs can 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. EIFDs may also finance projects that include:

- a) Highways, interchanges, ramps and bridges, arterial streets, parking facilities, and transit facilities.
- b) Sewage treatment and water reclamation plants and interceptor pipes.
- c) Facilities for the collection and treatment of water for urban uses.
- d) Flood control levees and dams, retention basins, and drainage channels.
- e) Child care facilities.
- f) Libraries.
- g) Parks, recreational facilities, and open space.
- h) The acquisition, construction, or rehabilitation of housing for persons of very low, low, and moderate income for rent or purchase.
- i) Acquisition, construction, or repair of commercial structures by the small business occupant of such structures, if such acquisition, construction, or repair is for purposes of fostering economic recovery from the COVID-19 pandemic and of ensuring the long-term economic sustainability of small businesses, among others.

The EIFD must not use bond proceeds to finance maintenance of any kind, and must not finance costs for ongoing operations or providing services.

- 6) **CRIAs.** In 2015, the Legislature authorized local officials to establish CRIAs and use property tax increment revenues to finance the implementation of a CRP within a community revitalization and investment area. Unlike EIFDs, which can form anywhere, local officials may only establish a CRIA in an area where at least 70% of the area has an annual median household income that is less than 80% of the city, county, or statewide annual median income, and meets at least three of the following conditions:
- a) Unemployment in an area that is at least 3% higher than statewide average unemployment, as defined by a specified report on labor market information.
 - b) Crime rates in the area that are 5% higher than the statewide average crime rate, as defined by a specified annual report on criminal justice statistics.
 - c) The areas includes deteriorated or inadequate infrastructure, including streets, sidewalks, water supply, sewer treatment or processing, and parks.
 - d) The area includes deteriorated commercial or residential structures.

A CRIA can also form (1) on a former military base with deteriorated or inadequate infrastructure and structures, (2) in a disadvantaged community, or (3) on sites identified in the inventory of land in a housing element that are suitable for residential development, as specified.

Typically, a CRIA is required to have a governing body with three members from each participating taxing entity's legislative body and a minimum of two public members. To create a CRIA, the legislative body of a city or county must adopt a resolution or by entering into a joint powers agreement to establish the financing district. The governing body then provides public notice, as specified, and directs an official to prepare a CRP that includes:

- a) A statement of the principal goals and objectives of the CRP including territory to be covered by the CRP.
- b) A description of the deteriorated or inadequate infrastructure within the area and a program for construction of adequate infrastructure or repair or upgrading of existing infrastructure.
- c) A housing plan that describes how the authority will comply with CRIA housing requirements, including that no less than 25% of all taxes allocated to the CRIA must be used for specified affordable housing purposes. This housing plan must include information on available funding sources, the number of units assisted and developed by those funds, and other specified information.
- d) A program to remedy or remove a release of hazardous substances, if applicable.

- e) A program to provide funding for or otherwise facilitate the economic revitalization of the area.
- f) A fiscal analysis setting forth the projected receipt of revenue and projected expenses over a five-year planning horizon.
- g) A limit on establishing loans, advances, and indebtedness of 30 years, and a date when the district will end, not to exceed 45 years from the date upon which the issuance of debt is approved.

Similar to EIFDs prior to SB 1140, a CRIA considers the adoption of its plan over a meeting and three public hearings. Each public hearing must take place at least 30 days apart with at least a 10 day notice provided to each landowner and resident in the proposed authority. A CRIA is required to terminate the CRP if there is a majority protest. A majority protest exists if protests have been filed representing over 50% of the combined number of landowners and residents in the area who are at least 18 years of age. Finally, it requires an election if between 25% and 50% of the combined number of landowners and residents in the area who are at least 18 years of age file a protest. Unlike EIFDs, CRIAs must repeat this protest process every 15 years.

Upon formation, a CRIA can:

- a) Provide funding to rehabilitate, repair, upgrade, or construct infrastructure.
- b) Provide for low- and moderate-income housing.
- c) Remedy or remove a release of hazardous substances.
- d) Provide for seismic retrofits of existing buildings in accordance with all applicable laws and regulations.
- e) Acquire and transfer real property, including through eminent domain under specified conditions.

Once approved by the initiating city or county, a CRIA can capture a portion of the property tax increment.

- 7) **Author's Statement.** According to the author, "In order to respond to the needs of our communities, local governments have come up with creative ways to fund critical infrastructure. Tax increment financing tools, such as enhanced infrastructure financing districts (EIFDs) and community revitalization and investment authorities (CRIAs) have become increasingly important in funding local infrastructure projects. AB 417 improves the functionality and usefulness of EIFDs and CRIAs by streamlining administrative processes, and providing other crucial clarification to existing law, while maintaining public participation and transparency. These reforms will significantly improve the ability for local governments to support economic development and build critical infrastructure in communities across the state."

8) **Bill Summary.** This bill makes a number of changes to EIFD and CRIA law, including:

a) For EIFDs:

- i) Removing the COVID-19 pandemic restriction on spending EIFD revenue on specified commercial structures that contain a small business occupant.
- ii) Clarifying the requirements for amending an EIFD IFP to add a participating local agency to the IFP and PFA.
- iii) Providing that EIFD annual reports can be adopted within seven months of the end of the fiscal year instead of by June 30th.

b) For CRIs:

- i) Reducing the requirements on where a CRIA can be formed, such as an area where not less than 60%, instead of 70%, of the land calculated by census tracts or census block groups, as defined, meets specific median household, unemployment, crime rate, or deteriorated or inadequate infrastructure requirements.
- ii) Reducing the number of meetings and hearings to form a CRIA from four to three.
- iii) Providing an alternative meeting and hearing notification process similar to EIFD law, as specified.

This bill also contains numerous technical, clarifying, and conforming changes. This bill is sponsored by the California Association for Local Economic Development.

9) **Technical Amendments.** The Committee may wish to consider the following technical amendments:

- a) GC Section 62004.5(b)(1): If the first or second public hearing on the plan occurs at the location, date, and time listed in the mailed notice described in subdivision (a), then the ~~public financing~~ authority shall be deemed to comply with the 10-day mailed notice requirement pursuant to subdivision (j) of Section 62004.
- b) GC Section 62004.6: Except for the newspaper notices described in subdivision (j) of Section 62004, a notice required by this part shall be provided in English and in all other languages spoken jointly by 20 percent or more of the population in the jurisdiction of the county of the proposed ~~district~~ **authority** that speaks English less than “very well” and jointly speaks a language other than English according to data from the most recent American Community Survey or data from an equally reliable source.

10) **Arguments in Support.** According to the California Association for Economic Development, “This legislation makes several operational improvements to Enhanced Infrastructure Finance Districts (EIFDs), and streamlines the process for creating Community Revitalization Investment Authorities (CRIAs). More specifically, this bill:

“For EIFDs:

- Requires that annual reports be adopted within seven months of the end of the fiscal year, to enable these reports to include audited data.
- Clarifies the process for amending a plan to add a participating local agency, which will facilitate exploration of local partnerships.
- Removes an obsolete reference to COVID-19 pandemic, to ensure that EIFDs continue to have the option of assisting the economic recovery of small businesses.

“For CRIAs:

- Revises the formation timeline to match the process approved for EIFDs with SB 1140 (Caballero), Ch. 599, Statutes of 2024.
- Reduces complexity associated with formation by requiring 60 percent of included territory to be comprised of census tracts with lower (below 80% of AMI) median incomes, or meet existing thresholds for deteriorated infrastructure and structures, or elevated crime and unemployment.

“Collectively, these changes improve the functioning of existing EIFDs, and ensure that the CRIA tool remains a competitive option for local agencies.”

- 11) **Arguments in Opposition.** According to Fieldstead and Company, “Over the years, I have opposed legislation that allows the use of eminent domain to take privately owned property not for public infrastructure but for the purpose of giving it to other private parties (usually well-connected developers) for some favored private project...

“...A number of bills relating to housing authorities have been amended in the last three years to explicitly preclude the use of eminent domain. See SB 679 (Kamlager)—Los Angeles County Affordable Housing Solutions Agency (Gov Code section 64722); SB 440 (Skinner)—Regional Housing Finance Authorities; and AB 930 (Friedman)—Local Government: Enhanced Infrastructure Financing Districts: RISE districts (2023) (held in Senate Appropriations).

“Another notable example of legislative concern about eminent domain abuse was SB 796 (Bradford), enacted in 2021, to redress the action of Manhattan Beach in 1924 in using eminent domain to shut down ‘Bruce’s Beach,’ a successful resort owned by the Bruces, an African American family. The bill returned the property to the descendants of the Bruce family.

“AB 417 seeks to amend a section of law relating to Community Revitalization and Investment Authorities (CRIAs) created by AB 2 in 2015. That legislation gave CRIAs the explicit power to use eminent domain for private purposes (Gov. Code section 62201(e)). We respectfully request that you amend AB 417 to delete that provision and to preclude use of eminent domain by CRIAs. We have no issue with the changes you are proposing to the CRIA provisions, except that they might increase the potential for eminent domain abuse. The clarifying amendment would eliminate that concern.”

REGISTERED SUPPORT / OPPOSITION:

Support

California Association for Local Economic Development [SPONSOR]
American Planning Association, California Chapter
California Central Valley Flood Control Association
City of Lakewood
County of Humboldt
League of California Cities

Opposition

Fieldstead and Company, Inc. (unless amended)

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