

Date of Hearing: April 22, 2026

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

AB 2385 (Petrie-Norris) – As Amended April 14, 2026

**SUBJECT:** Local reconstruction agencies.

**SUMMARY:** Authorizes a city, county, or other local agency to establish a local reconstruction agency (LRA) to coordinate disaster recovery efforts in the areas impacted by a disaster.

Specifically, **this bill:**

- 1) Defines “Local reconstruction area” to mean an area identified pursuant to the procedures set forth in an ordinance adopted pursuant to 9), below, which disaster damage has caused conditions that are so prevalent and so substantial that they have caused a reduction, or a lack, of the normal predisaster usage of the area to an extent that causes a serious physical and economic burden that cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment. A local reconstruction area may include noncontiguous areas. Areas adjacent to the areas directly impacted by disaster damage may be included within the boundaries of the local reconstruction area, but those adjacent areas shall be no more than 20% of the total local reconstruction area.
- 2) Specifies that a disaster recovery plan adopted pursuant to the Disaster Recovery Reconstruction Act of 1986 (DRRA) may include a contingency plan of action and organization for intermediate, in addition to short-term and long-term, recovery and reconstruction to be instituted after a disaster, including, but not limited to, the following:
  - a) Operational Structure.
  - b) Roles and responsibilities for leadership and coordination.
  - c) Recovery priorities.
  - d) Mitigation strategies.
  - e) Identification of programs, resources, and funding mechanisms to be utilized within each phase of recovery.
  - f) Strategies to coordinate with departments, agencies, and organizations involved in recovery, including, but not limited to, state and local governmental entities, nonprofit organizations, private sector partners, and programs that provide recovery-related resources.
- 3) Specifies that a plan adopted pursuant to the DRRA may include procedures for integration with state and federal recovery frameworks.
- 4) Removes the authority from the DRRA for a plan and ordinances to include the authority and proposed organization for establishment of a LRA with powers parallel to those of a community redevelopment agency (RDA), as specified.

- 5) Allows, under the DRRA, the plan and ordinances to include the authority and proposed organization for establishment of a LRA as provided in 9), below.
- 6) Specifies that the plan and organizational arrangements may be made separately or jointly by formal cooperative arrangements with other local entities, including climate resilience districts (CRDs) and enhanced infrastructure financing districts (EIFDs) that operate within a city, county, or other local subdivision of the state.
- 7) Provides that if, in preparing a disaster recovery plan, a city or county determines that its general plan should be amended to ensure consistency between both plans, the city or county shall amend the general plan within a reasonable time.
- 8) Requires that, in order to assist local jurisdictions in the preparation of the plan and ordinances authorized under the DRRA, the Office of Land Use and Climate Innovation (LCI) to, in consultation with the Office of Emergency Services (Cal OES) and, where appropriate, regional councils of governments, assess the recovery and rebuilding needs of jurisdictions across the state and develop model ordinance language, as specified. Cal OES, in consultation with LCI, shall prepare guidance on disaster recovery plans. The guidance and model ordinance language shall be designed to be adaptable by jurisdictions based on geographic location, governmental structure, capacity, and any other factors LCI or Cal OES deems relevant.
- 9) Allows a city, county, or other local subdivision of the state to adopt an ordinance establishing a LRA to coordinate disaster recovery efforts in the areas impacted by a disaster. The ordinance shall include procedures for determining the boundaries of a local reconstruction area in which the LRA will operate following a disaster. The ordinance may grant the LRA the power to engage in any of the following activities:
  - a) Sue and be sued.
  - b) Adopt a seal.
  - c) Make and execute contracts and other instruments necessary or convenient to the exercise of its powers.
  - d) Make, amend, and repeal bylaws and regulations not inconsistent with, and to carry out, its powers and purposes.
  - e) Within the local reconstruction area, purchase, lease, obtain option upon, acquire by gift, grant, bequest, devise, eminent domain, or otherwise, any real personal property, any interest in property, and any improvements on it, including repurchase of developed property previously owned by the reconstruction agency.
  - f) Dispose of assets, including by sale or lease.
  - g) Issue or sell bonds.
  - h) Incur and restructure debt.
  - i) Accept financial assistance from any public or private source.

- j) Accept any other assistance from the state or federal government or any public or private source for any project within the local reconstruction area or for the LRA's activities, powers, and duties.
  - k) Accept taxes, if any, levied upon taxable property within the local reconstruction area each year by or for the benefit of the State of California, or any affected taxing entity after the effective date of the ordinance adopted pursuant to 9), above, to establish the LRA, that shall be divided, as specified.
  - l) Execute trust deeds or mortgages on properties owned or acquired.
  - m) Prepare or cause to be prepared and carry out plans for the improvement, rehabilitation, recovery, and redevelopment of disaster-impacted areas, which may include the following activities.
    - i) Holding hearings and conducting examinations, investigations, and other negotiations.
    - ii) Consulting with the local planning commission and the project area committee, if applicable, in preparing plans.
  - n) Make loans or provide funds or financial assistance to residents and businesses consistent with its purposes.
  - o) Within the local reconstruction area, for purposes of disaster recovery, insure or provide for the insurance of any operations of the LRA against risks and hazards.
  - p) Select, appoint, and employ permanent and temporary officers, agents, counsel, and employees as it requires, and determine their qualifications, duties, benefits, and compensation, subject to the conditions and restrictions imposed by the legislative body on the expenditure or encumbrance of the budgetary funds appropriated to the LRA.
  - q) Contract with other governmental entities for the furnishing of any necessary staff services associated with or required by the LRA that could be performed by the staff of that other governmental entity.
  - r) Obtain, hire, purchase, or rent office space, equipment, supplies, insurance, or services.
  - s) Authorize and pay the travel expenses of LRA agency members, officers, agents, counsel, and employees in official business.
  - t) Disseminate information related to disaster recovery.
  - u) Prepare applications for various governmental programs and grants relating to disaster recovery, housing, and community development, and plan and carry out those programs and grants within its authority.
- 10) Requires the LRA to have a board with a membership consisting of one of the following, as appropriate:

- a) If an agency has only one participating affected taxing entity, the board's membership shall include a minimum of three members of the legislative body of the participating affected taxing entity, and a minimum of two members of the public chosen by the legislative body. A minimum of one of the members of the public shall be a resident of or business owner within the local reconstruction area. The legislative body may appoint another one of its members to be an alternate member of the board who may serve and vote in place of a member of the legislative body who is absent or disqualifies themselves from participating in a meeting of the board. The appointment of the public member shall be subject to specified provisions.
  - b) If an agency has two or more participating affected taxing entities, the board's membership shall include a majority of members from the legislative bodies of the participating affected taxing entities, and a minimum of two members of the public chosen by the legislative bodies of the participating entities. A minimum of one of the members of the public shall be a resident of or business owner within the local reconstruction area. A legislative body of a participating affected taxing entity may appoint another one of its members to be an alternate member of the board who may serve and vote in place of a member of the legislative body who is absent or disqualifies themselves from participating in a meeting of the board. The appointment of the public members shall be subject to specified provisions.
  - c) If an agency has more than three participating affected taxing entities, the legislative bodies of the participating affected taxing entities may, upon agreement by all participating affected taxing entities, appoint only one member and one alternate member of their respective legislative bodies to the board, and a minimum of two members of the public chosen by the legislative bodies of the participating entities. A minimum of one of the members of the public shall be a resident of or business owner within the local reconstruction area. The appointment of the public members shall be subject to specified provisions.
  - d) For purposes of a)-c), above, "legislative body" may include a directly elected mayor of a charter city who is not a member of the city's legislative body under the city's adopted charter.
- 11) Requires the legislative body to ensure the board is established at the same time that it adopts an ordinance pursuant to 9), above.
  - 12) Prohibits members of the board from receiving compensation, but it may receive reimbursement for actual and necessary expenses incurred in the performance of official duties, as specified.
  - 13) Requires members of the board to be subject to existing ethics training requirements.
  - 14) Specifies that a board created pursuant to this bill shall be a local agency subject to the Ralph M. Brown Act's open meeting requirements, the California Public Records Act, and the Political Reform Act of 1974.
  - 15) Provides that any member of the legislative body of a participating affected taxing entity who serves as a member of the board may also serve as a member of the governing body of an

agency or entity formed pursuant to an agreement for the joint exercise of power that the participating entity has entered into in accordance with the Joint Exercise of Powers Act.

- 16) Specifies that for purposes of this bill, “affected taxing entity” means any governmental taxing agency that levied or had levied on its behalf a property tax on all or a portion of the property located within the local reconstruction area in the prior fiscal year.
- 17) Requires a city, county, or other local subdivision of the state to ensure that it specifies a date on which the local recovery agency will cease to exist, by which time all tax allocation to the district will end. The date shall not be more than 45 years from the date on which a bond is issued pursuant to 9), above, or the issuance of a loan is approved pursuant to 9), above.

#### **EXISTING LAW:**

- 1) Authorizes each city, county, or other local subdivision of the state, in conjunction with planning activities as specified, to prepare, prior to a disaster, plans and ordinances facilitating the expeditious and orderly recovery and reconstruction of the area under its jurisdiction, should a disaster occur and authorizes the plans and ordinances to include any of the following: [Government Code (GC) § 8877.5]
  - a) An evaluation of the vulnerability of specific areas under its jurisdiction to damage from a potential disaster, together with streamlined procedures for the appropriate modification of existing general plans or zoning ordinances affecting those areas after a disaster.
  - b) A contingency plan of action and organization for short-term and long-term recovery and reconstruction to be instituted after a disaster.
  - c) An ordinance, to be adopted prior to the disaster, which could be invoked as soon as possible after the event and which would provide necessary local authorization for activities designated under (a) and (b), above.
- 2) Authorizes the above plans and ordinances to include the authority and proposed organization for establishment of a local reconstruction authority with powers parallel to those of a community redevelopment agency, except that the reconstruction authority would be authorized to operate beyond the confines of designated redevelopment areas and would have financing sources other than tax increment sources. (GC § 8877.5)
- 3) Authorizes any of the above plans or related organizational arrangements to be made separately or jointly by formal cooperative arrangements with other local entities. (GC § 8877.5)
- 4) Requires each planning agency to prepare and the legislative body of each county and city shall adopt a comprehensive, long-term general plan for the physical development of the county or city, and of any land outside its boundaries, as specified. Chartered cities are required to adopt general plans which contain mandatory elements, as specified. (GC § 65300)
- 5) Authorizes cities, cities and counties, and counties to create disaster councils, by ordinance, to develop plans for meeting any condition constituting a local emergency or state of

emergency, including, but not limited to, earthquakes, natural or manmade disasters specific to that jurisdiction, or state of war emergency. (GC § 8610)

- 6) Under the California Emergency Services Act, establishes the Cal OES within the office of the Governor for the purpose of mitigating the effects of natural, manmade, or war-caused emergencies. (GC § 8550)
- 7) Under the California Emergency Services Act, provides Cal OES to be responsible for the state's emergency and disaster response services for natural, technological, or man-made disasters and emergencies, including responsibility for activities necessary to prevent, respond to, recover from, and mitigate the effects of emergencies and disasters to people and property. (GC § 8585)
- 8) Under the California Disaster Assistance Act, requires the Director of Cal OES to provide financial assistance to local agencies for their personnel costs, equipment costs, and the cost of supplies and materials used during disaster response activities, incurred as a result of a state of emergency proclaimed by the Governor, subject to specified criteria. (GC § 8680)

**FISCAL EFFECT:** This bill is keyed fiscal.

**COMMENTS:**

- 1) **Bill Summary.** This bill authorizes local governments to establish LRAs with broad powers to coordinate recovery efforts in areas impacted by disaster. This bill allows a LRA to utilize property tax increment financing and to issue bonds. This bill specifies the board structure of an LRA and requires the LRA to specify a date on which it will cease to exist. This date must not be more than 45 years from the date on which a bond is issued or the issuance of a loan is approved.

This bill also expands the ability of a disaster recovery plan, and ordinances a local government is already statutorily authorized to prepare in order to facilitate fast and efficient recovery and reconstruction following a disaster, to cover the full span of the recovery process. This bill specifies the elements that may be included in the contingency plan of action and organization and requires LCI and Cal OES to provide assistance with plans and ordinances.

The author is the sponsor of this bill.

- 2) **Author's Statement.** According to the author, "In the immediate aftermath of a wildfire, flood, or earthquake, first responders and community members rise to the challenge in the face of devastation. But after the crisis subsides, in the months and years following a disaster, people are often left navigating a complex web of insurance companies, disaster response agencies, and financial lenders.

"AB 2385 will provide local governments with a legal framework that they can modify to fit their needs that helps them prepare for the inevitable disaster. Communities recover best when they plan for recovery before disaster strikes."

- 3) **California Office of Emergency Services.** Cal OES serves as the state's leadership hub during all major emergencies and disasters. This includes responding, directing, and coordinating local, state and federal resources and mutual aid assets across all regions to support the diverse communities across the state. Cal OES also is responsible for developing and maintaining the State Emergency Plan and the Disaster Recovery Framework. Cal OES serves as the state's overall coordinator and agent to secure federal government resources through the Federal Emergency Management Agency (FEMA). Cal OES also administers the California Disaster Assistance Acts funds and several federal emergency preparedness grant programs.
- 4) **Disaster Recovery.** In late 2019, Cal OES finalized the California Disaster Recovery Framework (CDRF) and accompanying Recovery Support Function (RSF) Annexes for long-term recovery. Similar to the organization of the Emergency Support Functions, the RSFs are led by a state coordinating agency, and in conjunction with the federal government, serve to coordinate recovery-specific resources and guidance to local and tribal communities impacted by disasters.

Local disaster recovery plans developed prior to a disaster enable jurisdictions to effectively direct recovery activities and expedite a unified recovery effort. Since disasters are locally driven, pre-disaster recovery planning at the local level is imperative. The CDRF provides a structure for the locals to follow. In addition, local recovery plans should create the operational construct for each of the three (short term, intermediate, and long term) recovery phases and determine which programs will be needed for each recovery phase, as they apply to their area. However, not all local governments have the capability or capacity to develop a formal recovery structure consistent with the CDRF, but Cal OES recommends all local governments at least undertake basic recovery planning steps.

Pre-disaster planning performed in conjunction with community development planning helps to establish recovery priorities, incorporate mitigation strategies in the wake of an incident, and identify options and changes to be considered or implemented after an incident. Post-disaster community recovery planning serves to integrate the range of complex decisions in the context of the incident and provides the foundation for allocating resources.

- 5) **Federal Guidance On Recovery Planning.** Recent federal guidance from FEMA recommends states and local jurisdictions prioritize three areas in disaster recovery planning: (1) disaster housing planning; (2) state disaster recovery coordinator; and (3) disaster financial management policies and procedures. FEMA provides a Pre-Disaster Recovery Planning Guide to help states prepare for recovery by developing pre-disaster recovery plans that follow a process to engage members of the whole community, develop recovery capabilities, and create an organizational framework for recovery efforts. It is strongly recommended that states establish a State Disaster Recovery Coordinator (SDRC), as an effective pre-disaster recovery plan and process is crucial to help recipients prepare for major disaster incidents, recover effectively, and enable state leadership to better organize and identify gaps in the state's recovery capabilities.
- 6) **Local Emergency Ordinances.** Local emergency ordinances provide local governments with the legal authority and structure to expedite recovery efforts. The CDRF provides the

Model Pre-Event Recovery Ordinance, as drafted by the American Planning Association, as a resource for locals.<sup>1</sup> Additionally, this document provides draft ordinance language. APA notes that a recovery ordinance should include the following:

- a) Be adopted by local governing body action, if possible, before a disaster happens, as well as periodically updated and amended, as needed.
  - b) Authorize establishment and maintenance of a local recovery management organization, coordinated closely with the local emergency management organization.
  - c) Direct the preparation of a pre-event short- and long-term recovery plan in concert with the local emergency management organization and community stakeholder organizations.
  - d) Establish emergency powers by which the local government staff can take extraordinary action to protect public health, safety, and welfare during post-disaster recovery.
  - e) Identify methods for local government to take cooperative action with other entities to assure full access to all external financing resources as well as to facilitate recovery.
  - f) Specify the means for consulting with and assisting citizens, businesses, and community stakeholder organizations during recovery planning and implementation.
- 7) **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

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<sup>1</sup> [Model Pre-Event Recovery Ordinance](#)

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.

- 8) **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.

- 9) **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.

10) **SB 782 of 2025.** SB 782 (Perez), Chapter 552, Statutes of 2025, created a subcategory of CRDs to finance disaster recovery efforts. These districts have the same powers of a CRD, but with several differences. Under existing law, before CRDs can use tax increment financing, they have to go through various meetings and notices. SB 782 allowed a city or county to bypass some of these meeting and notice requirements if a resolution that is adopted to use tax increment financing contains specified information and if the following are met:

- a) District boundaries are limited to areas where disaster damage is so prevalent and substantial that there is a significant reduction in the normal pre-disaster economic or physical usage of an area that cannot reasonably be expected to be reversed or alleviated during the term of the infrastructure financing plan (IFP) without redevelopment.
- b) Areas adjacent to the disaster area may be included but those areas must not be more than 20% of the total district area.
- c) The city or county adopts the resolution within two years of the disaster proclamation.

SB 782 also required the entity proposing formation of a district to hold two public meetings on the proposal and specified what must be considered at each meeting, the noticing requirements, and the requirements for the preparation and adoption of an IFP. Lastly, this bill enumerated how a district may use its revenue, including limiting the use of bond proceeds from being used for the cost of operation, programs or providing services.

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

- a) **Who's In and Who's Out?** This bill allows any city, county, or other local subdivision to create a LRA with broad powers to respond to a disaster. However, should a cemetery district or parks and recreation district be able to undertake activities such as making loans or providing financial assistance to residents and businesses, or executing deeds or mortgages on properties? The Committee may wish to consider if only general government entities like cities and counties should be given these broad powers.
- b) **What Comes First?** This bill allows a local agency to create a disaster recovery plan and to create an LRA; however, as currently written, there is no requirement for a disaster recovery plan to be adopted prior to the creation of the LRA. Should an LRA be created without being directed by any plan? The Committee may wish to consider if it should be made clear that if a city or county adopts a disaster recovery plan, and identifies the creation of an LRA in the plan, then the city or county is authorized to establish an LRA.
- c) **What Powers?** This bill grants LRAs with broad powers to respond to a disaster, some of which may not be typical for city and counties to exercise. For instance, this bill would authorize an LRA to issue or sell bonds, but it is not clear what type of bonds the LRA can issue. Would the LRA issue general obligation bonds, revenue bonds, or tax increment bonds? Each of these types of bonds typically have their own requirements, some constitutional, that a city or county must follow prior to their issuance. Additionally, this bill allows an LRA to incur or restructure debt; however, cities and counties have strict constitutional debt limitations and are often limited by the type of debt they can incur. The Committee may wish to consider if further clarification is

needed regarding the powers an LRA can use.

- d) **Tax Increment Financing.** Property tax allocation in California is a very complex set of statutes. Property tax increment financing was widely used by RDAs prior to their dissolution. Since 2014, new tax increment tools have been created to provide cities and counties with opportunities to finance infrastructure development. This bill gives LRAs the ability to utilize tax increment financing but does not include some of the guardrails that previous tools have to stay within. First, all participation in any of the post-RDA tax increment tools is voluntary. This means that each agency that wants to use their own property tax for the purposes of infrastructure development by one of these tools has to agree to it. Second, due to Proposition 98 (1988) school funding requirements, the use of school's property tax often has a direct impact on the State Budget, and all of the post-RDA tax increment financing tools have been prohibited from utilizing the school share of property taxes. Third, the process of RDA dissolution created a Redevelopment Property Tax Trust Fund in each county to pay off the debts of the former RDAs. The other post-RDA tools contain requirements for the property taxes that are dedicated to paying off these debts to continue to do so.

As currently written, this bill does not make it clear if another agency has to opt into the sharing of property taxes with an LRA, and what property taxes can be used by an LRA, including whether or not the school share of property taxes can be incorporated. Given these uncertainties and inconsistencies, the Committee may wish to consider if additional clarity is needed.

- e) **Will it Work?** A key factor in the success of a tax increment financing district is figuring out when to create it. If the local agency forms the tax increment financing district too soon, it will be years until it begins to create sufficient revenue to successfully finance projects, or the development may not materialize. If the local agency forms the tax increment financing district too late, reassessments may occur before the district begins to capture revenue and the district may never provide sufficient revenue to successfully finance projects.

The California Constitution allows the Legislature to authorize local agencies to provide for the assessment or reassessment of taxable property "physically damaged or destroyed" for property tax purposes. Upon a taxpayer filing a valid claim, assessors must revalue property affected by the disaster, which often lowers the assessed value of the property to the land value leading to significantly less property tax revenue for affected local agencies. The property retains its disaster-affected value until fully restored, reconstructed, or rebuilt.

Timing will be even more important in the case of a disaster-oriented tax increment financing district like an LRA. Forming a tax increment financing district when most properties are at their disaster-affected values could generate significant tax increment financing revenues if properties are rebuilt and/or improved. However, this shifts that property tax revenue away from core programs or services towards infrastructure. On the other hand, if the city or county creates the tax increment financing district too late in the rebuild process, the assessor may have already restored property values to their pre-disaster levels, meaning the district generates very little revenue, and may not help the

city or county to finance infrastructure necessary for the rebuilding efforts.

Given these dynamics, the Committee may wish to consider how cities and counties will be able to time the creation of these LRAs to balance their existing budgetary needs and generate sufficient revenue to finance infrastructure projects.

- 12) **Committee Amendments.** In order to address the policy considerations above, the Committee may wish to consider amending this bill as follows:
- a) Limit the creation of, and participation in, an LRA to cities, counties, and a city and county.
  - b) Specify that a city or county must first adopt a disaster recovery plan, and identify the establishment of an LRA in such a plan, prior to creating an LRA.
  - c) Clarify the powers of an LRA.
  - d) Specify that in order to utilize property tax increment financing, the LRA must follow the provisions provided in EIFD Law.

- 13) **Arguments in Support.** According to the Blue Ribbon Commission (BRC) on Climate Action and Fire Safe Recovery, “On June 20, 2025, the BRC released our Final Commission Recommendations and Action Plans for the Resilient and Sustainable Rebuilding of Los Angeles. The Commission’s Recommendation C-11, entitled “Update Disaster Recovery Act to Facilitate Future Fire Rebuilding,” states “...to encourage and enable local jurisdictions to plan for effective recovery before a disaster by creating a “reconstruction authority” that can be activated when disaster strikes, the State Legislature should amend the Disaster Recovery Reconstruction Act.” Further, the BRC stated that amending the Disaster Recovery Reconstruction Act (DRRA) “...would provide a powerful tool for local governments to prepare to respond to a disaster by setting up a governmental structure in advance...to manage the recovery efforts.”

“Under existing law, the DRRA of 1986 gives local governments the tools to proactively plan for disaster, including the ability to establish reconstruction agencies with financing and land-use authority. Because these powers were incorporated by reference to Community Redevelopment Agencies (CRAs), which were later dissolved by legislation signed into law in 2011, legislation is needed to allow local governments to use the DRRA.

“AB 2385 fixes this drafting gap by specifically enumerating the powers a local disaster recovery agency may possess, drawing on lessons from past disaster recovery and rebuilding experience. The bill also clarifies that existing governance structures, such as enhanced infrastructure financing districts (EIFD) and climate resilience districts (CRD), can be leveraged for recovery, enabling local governments to act quickly without starting from scratch. Additionally, AB 2385 directs the Governor’s Office of Land Use and Climate Innovation and the Office of Emergency Services to develop model ordinances and provide technical assistance, ensuring communities of all sizes have a practical pathway to implement the law.

“Enacting AB 2385 will unlock and support local jurisdictions’ ability to plan for effective

recovery before a disaster through local ordinance to establish a centralized “reconstruction authority”, which can be activated when disaster strikes as a hub to lead and better marshal the resources needed for reconstruction and rebuilding. Every California community struggling to rebuild after a disaster will benefit.”

14) **Arguments in Opposition.** None on file.

15) **Double-referral.** This bill is double-referred to the Emergency Management Committee, where it passed on a 6-0 vote on April 13, 2026.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

Blue Ribbon Commission on Climate Action and Fire Safe Recovery  
League of California Cities

**Opposition**

None on file

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