

Date of Hearing: April 5, 2017

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT
Cecilia Aguiar-Curry, Chair
AB 733 (Berman) – As Amended March 23, 2017

SUBJECT: Enhanced infrastructure financing districts: projects: climate change.

SUMMARY: Adds climate change projects to the list of projects that may be financed by an Enhanced Infrastructure Financing District (EIFD). Specifically, **this bill:**

- 1) Allows a city or county to create an EIFD to authorize the financing of projects that enable communities to adapt to the impacts of climate change including, but not limited to, extreme weather events, sea level rise, flooding, heat waves, wildfires, and drought.
- 2) Adds specific language to the findings and declarations contained in EIFD law about funding projects that enable communities to adapt to the impacts of climate change.

EXISTING LAW:

- 1) Allows cities and counties to create EIFDs.
- 2) Requires the legislative body of a city or county to adopt a resolution of intention to establish the EIFD.
- 3) Requires the legislative body of a city or county to notify those who will be within the district of the proposed EIFD and hear public comment on the proposal.
- 4) Requires the legislative body of a city or county to produce a proposal for the project which details the goal of the project, the cost, and other relevant information.
- 5) Requires an approval of 55% of the voters within an EIFD if a project is financed through a loan and will accrue debt.
- 6) Requires EIFDs that incur debt to perform an independent financial and performance audit every two years.
- 7) Authorizes cities and counties to create EIFDs to finance local infrastructure projects and community public works, including:
 - 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, recreation facilities, and open space;
- h) Facilities for the transfer and disposal of solid waste, including transfer stations and vehicles;
- i) Brownfield restoration and other environmental mitigation;
- j) The development of projects on a former military base, provided that the projects are consistent with the military base authority reuse plan and are approved by the military base reuse authority, if applicable;
- k) The repayment of the transfer of funds to a military base reuse authority, pursuant to existing law that occurred on or after the creation of the EIFD;
- l) The acquisition, construction, or rehabilitation of housing for persons of very low, low, and moderate-income, as defined, for rent or purchase;
- m) The acquisition, construction, or repair of industrial structures for private use;
- n) Transit priority projects, as defined in existing law, that are located within a transit priority project area. As defined in existing law, a transit priority project area may include a military base reuse plan that meets the definition of transit priority project area and it may include a contaminated site within a transit priority project area;
- o) Projects that implement a sustainable communities strategy, when the State Air Resources Board has accepted a metropolitan planning organization's determination that the sustainable communities strategy or the alternative planning strategy would, if implemented, achieve the greenhouse gas emission reduction targets; and,
- p) Port or harbor infrastructure, as defined in existing law.

FISCAL EFFECT: None

COMMENTS:

- 1) **Bill Summary.** This bill adds climate change projects to the existing list of projects that may be financed by cities or counties through an EIFD. This includes, but is not limited to, projects that enable communities to adapt to extreme weather events, sea level rise, flooding, heat waves, wildfires, and drought. This bill is author-sponsored.
- 2) **Author's Statement.** According to the author, "As the impacts of climate change continue to be felt in California, such as drought, flooding, warmer temperatures, increased wildfires, and the threat of sea level rise along approximately 1,100 miles of California coastline, investments in infrastructure need to take climate change into account.

"Local governments are at the forefront of addressing the impacts of climate change. However, resources and funding are some of the largest barriers to taking action. EIFDs are a newer financing tool available to local governments that can fill this need and be used to incentivize action to adapt to the changing climate.

“AB 733 would expand the types of projects that can be funded with EIFDs to specifically include projects that enable communities to adapt to the impacts of climate change. These impacts could include, but are not limited to extreme weather events, sea level rise, flooding, heat waves, wildfires, and drought. Explicitly stating that EIFDs can fund these types of projects will create awareness for local governments and will hopefully spur more local governments to adapt to the impacts of climate change.”

- 3) **Background on EIFDs.** With the dissolution of Redevelopment Agencies in 2011, cities and counties sought alternate ways to finance local infrastructure projects. In response to this, the Legislature passed SB 628 (Beall), Chapter 785, Statutes of 2014, expanding on existing infrastructure financing districts and authorizing cities and counties to establish EIFDs. These EIFDs allow cities and counties to fund local infrastructure projects.

Whereas Redevelopment Agencies had specific, narrow projects they could finance, EIFDs have a broader range of projects that they may finance, in addition to many of the same powers of Redevelopment Agencies. For example, EIFDs are not required to focus on “blighted areas” like Redevelopment Agencies, and may invest in a number of different projects, such as transportation and water.

To create an EIFD, the legislative body of a city or county must adopt a resolution of intention to establish the financing district, notify those who will be within the district, produce a proposal for the project and its cost, and hear public comment on the proposal. Once approved, an EIFD can be financed through two revenue streams. Similar to Redevelopment Agencies, EIFDs can utilize a portion of the local property tax revenue growth if the local governments approve it. They may also use revenue that the infrastructure project generates, such as money generated from user fees, public-private partnerships, loans, and grants.

EIFDs cannot finance routine maintenance projects, repair work, or the costs of ongoing operations or services. EIFDs may only finance public infrastructure projects. These projects currently include funding the reuse and revitalization of former military bases, the creation of transit priority projects and the implementation of ‘sustainable communities’ plans, construction and rehabilitation of affordable housing units, and construction of facilities to house providers of consumer goods and services in the communities served by their efforts.

- 4) **Prior Legislation.** Though infrastructure financing districts have been in existence since the 1980s, EIFDs, which have broader financing powers for a broader range of projects, are a relatively new tool. Previous legislation includes:
- a) SB 628 (Beall), Chapter 785, Statutes of 2014, allowed a city or county to create an EIFD to finance specific local infrastructure projects and community public works.
 - b) AB 313 (Atkins, 2015), Chapter 320, Statutes of 2015, clarified the process for replacing dwelling units and residents displaced by EIFD projects, and makes technical changes that clarifies that the public financing authority of an EIFD must remain separate from the legislative body that created the EIFD.

5) **Arguments in Support.** Supporters argue that adapting to climate change is a necessary tool for local governments. The Nature Conservancy, in support, writes that “by expanding the types of projects that EIFDs can fund to explicitly include environmental projects that address climate adaptation, AB 733 will promote awareness for local governments about the opportunity for funding through EIFDs.”

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

REGISTERED SUPPORT / OPPOSITION:

Support

California State Association of Counties (CSAC)
The Nature Conservancy

Opposition

None on file

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