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SB 628: Infrastructure financing district redux

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Senate Bill 628 creates "enhanced" infrastructure financing districts (EIFDs) and is a first step in financing local government development activities in California's post-redevelopment era. The bill makes tax increment funds available for economic development and urban revitalization, including former military base reuse, creation of transit priority projects, implementation of sustainable community plans, and affordable housing construction. Although similar to the little-used infrastructure financing districts (IFDs) authorized in 1990, SB 628 provides more flexibility and at the same time, shifts the expenditure focus from blight to reduction in greenhouse gas emissions.

With EIFDs, a district may, with consent of other affected taxing entities, use tax increment revenues generated by those entities to fund district purposes. A district may issue bonds secured by that revenue. However, while IFDs focused on undeveloped areas, EIFDs are also intended for urban areas and provide a broader array of financial tools.

Both EIFDs and IFDs may finance land acquisition, construction, expansion, seismic retrofit or rehabilitation for roadways, parking facilities, flood control, utilities, parks, recreation and child care facilities, and related planning and design costs. The scope of revenue uses is expanded under SB 628, allowing EIFDs to fund brownfield restoration and environmental mitigation and for development on military bases, affordable housing and certain aspects of mixed-income housing projects. EIFDs may fund projects in designated "transit priority" areas (within half a mile of a transit station) that meet specific zoning and non-auto dependent and affordable unit requirements.

Unlike IFDs, which require a two-thirds vote of the electorate for both district creation and bond issuance, EIFDs are created after a public hearing, without an electorate vote. Only bond issuance requires a public vote — and the approval requirement is reduced to 55 percent.

SB 628 imposes several limitations. When using tax increment revenues of other taxing entities, approval of those entities is required and the infrastructure and public buildings constructed must provide significant benefit to areas within as well as outside the district. Districts must provide a detailed financing plan. SB 628 also continues focus on affordable housing. Further, a city or county that had created a redevelopment agency may not form an EIFD until the redevelopment successor agency has received its certificate of completion and met various other milestones.

SB 628 provides local governments with a new tool to replace certain funding sources lost with the demise of redevelopment agencies in 2011, and is expected to assist in economic redevelopment, though with more strings attached to those sources and uses than under redevelopment law.

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