



California Association for Local Economic Development

2026 CALED Legislative Update

April 30, 2026

The California Association for Local Economic Development (CALED) is the voice of economic development practitioners and stakeholders. With over 1,100 members, CALED is one of the largest economic development associations in the country. As a benefit of membership, we track legislation impacting economic development and hold special briefings for CALED Leadership & Members.

Budget: Awaiting the Governor's May Revise:

- In January, the Governor proposed several new economic development related expenditures, including extending the California Competes Tax Credit Program an additional five years until FY 2032-33. The link to CALED's summary of the Governor's January Budget proposal is: https://caled.org/wp-content/uploads/2026/01/01.20.26_Gov-26-27-Budget-Analysis_CALED_FINAL.pdf
- Major issue is if/how the Governor proposes to respond to LAO projections of ongoing state deficits of approximately \$35 billion annually due to imbalance between projected state spending growth and revenues.

No Sponsored CALED OZ Legislation: CALED opted *not* to sponsor a legislative measure in 2026. We explored the possibility of proposing legislation that would provide state income tax conformity with the revised federal Opportunity Zone program, but encountered significant resistance in the Capitol to the concept. Issues raised included state budget concerns, and a variety of policy objections over the types of projects that could be funded, quality of jobs, necessity of state investment (funding projects that would just occur anyway), etc. CALED also briefed Administration officials on our proposal, and we are awaiting the May Revise to see if anything is proposed.

CALED Oppose: SB 954 (Blakespear) Advanced Manufacturing: CALED recently joined a coalition of various groups, including the Bay Area Council, the California Manufacturers and Technology Association, and Cal Chamber, opposed to SB 954 (Blakespear), which repeals the CEQA exemption provided to advanced manufacturing facilities in last year's (SB 131 Budget Trailer bill of 2025), and instead establishes an onerous and complex gauntlet of energy, siting, and labor requirements that these facilities must meet. *Let's hope Governor Newsom, who led last year's effort to achieve comprehensive CEQA streamlining aimed at expediting projects to make California more competitive, will signal his intent to reject this measure.*

Tax Increment Financing (TIF): Several new housing-focused TIF options have been proposed, that CALED is watching:

- **SB 1003 (Grayson) Prohousing EIFDs.** Proposes offering some bonus points for applications for state housing funds to local agencies that create a Prohousing EIFD, maintain a HCD Prohousing designation, and agree to meet specified affordable housing production thresholds. Prohibits a participating EIFD from spending on highway or highway interchange improvements. Authorizes HCD to administer a new "Infrastructure Partnership Financing Program" to award grants and loans to housing applicants, if/when funds for that program are appropriated by the Legislature.
 - *If this law is enacted, local agencies would have to consider carefully whether such a program is worth pursuing. EIFDs already have similar NIFTI (1) and (2) options, and other tax increment tools include the ability to create an Affordable Housing Authority (AHA), and a Community Revitalization and Investment Authority (CRIA). In addition, given state budget challenges and already limited availability of affordable*

housing funding, absent a major set-aside in a housing bond, it is doubtful reliable state funding would be available for this proposed new program.

- **AB 2110 (Johnson) Workforce Housing Districts.** Proposes another tax increment financing tool to create workforce housing districts, focused primarily on providing housing for fire, health care, manufacturing, and school district employees. Unlike other TIF tools, this proposal requires a two-thirds vote to issue bonds.
 - *This proposal is duplicative and less flexible than other options in existing law. For example, local agencies already have authority to create an Affordable Housing Authority, which offers access to both tax increment financing and sales tax revenue. In addition, EIFDs have flexibility to focus on affordable housing up to moderate income, as access to NIFTI (1) and (2) options. Plus, the two-thirds vote requirement in the bill to issue bonds makes this tool less likely to be considered by local agencies.*
- **High Speed Rail Authority:** Last fall CALED alerted members with planned High Speed Rail (HSR) stations of a concept being considered by the High Speed Rail Authority that would attempt to capture local tax increment and empower HSR to control local land use decisions within ½ mile from planned HSR stations to help fund the HSR project. *State budget trailer bills need to be closely monitored for any such proposals.* CALED is also watching two bills introduced by Senate Transportation Committee Chair, Dave Cortese:
 - **SB 1177 (Cortese) High-Speed Rail Authority: project update report.** This bill modifies the required contents of an annual HSR report to include “an analysis of potential ancillary revenue sources.”
 - **SB 1425 (Cortese) High-Speed Rail Authority: right-of-way: encroachment permits.** This measure establishes a permit program enabling the High Speed Rail Authority to charge fees for any encroachment of HSR right-of-way. It also establishes a fund in the State Treasury for the receipt of any revenue from “the sale, lease, or grant of any interest in or use of real property owned or managed by the High-Speed Rail Authority.” *“It is unclear if the reference to properties “managed” by HSR could be a placeholder for a yet-to-be unveiled proposal.*

Surplus Land Act: The political environment within the Legislature remains challenging to address the limitations faced by local agencies seeking to acquire and dispose of properties to create economic opportunities. Still, numerous bills have been introduced:

- **CALED Support: AB 2139 (Garcia) City of Ontario Sports Empire Project:** CALED originally supported the introduced version of this legislation which proposed to prohibit the SLA from applying to property acquired on or after January 1, 2029, when a local agency adopted a resolution describing the reasons for acquiring the property and then disposes of it in accordance with that resolution. The bill, however, was amended in the Assembly Local Government Committee to narrow the bill to an SLA exemption for the Ontario Sports Empire subject to multiple onerous conditions. *Given the numerous conditions attached, it is unclear whether the author and sponsor will continue to move this legislation forward.*
- **AB 2094 (Harabedian) Social Housing:** This bill originally proposes an SLA pilot project administered by HCD, but then was revised to establish a Social Housing Strategy and Implementation Program at HCD, and appoint a “coordinator” who among other things would: “inventory and prioritize surplus public land suitable for social housing development.” *This bill was recently passed by the Assembly Housing Committee and sent to the Assembly Appropriations Committee. It is unclear whether this legislation will continue to move. One comment in the Housing Committee’s analysis notes that the concept could be premature since the Legislature was awaiting a comprehensive report on social housing (required by SB 555 (Wahab), Ch. 402 of 2023) by December 31, 2026,*

Other Legislators are seeking specific SLA exemptions:

- **SB 1317 (Arreguin) PBIDs in Disadvantaged Communities:** Exempts surplus land owned by a local agency and located within a property and business improvement district, or a disadvantaged community identified pursuant to Section 39711 of the Health and Safety Code. *While this bill does not appear to be moving, it is notable that the author of this proposed SLA exemption bill is also the Chair of the Senate Housing Committee.*
- **SB 1145 (Grayson) Concord Former Military Base:** Exempts land in the City of Concord from the SLA that was or will be conveyed by the federal government to a local reuse authority in accordance with a military base closure and realignment policies.
- **AB 1895 (Hadwick) Land Unsuitable for Housing Development:** Expands the definition of exempt surplus land to include land that is unsuitable for housing development due to the presence of one or more specified characteristics, including:
 - Land with slope instability that increases risk of mudslides, landslides, subsidence, liquefaction, and other seismic hazards.
 - Land under a FEMA flood hazard determination.
 - Land within a high or very high fire hazard severity zone.
 - Land with a sensitive ecological habitat, including wetlands, or surface water.

This bill has not yet been set for a committee hearing.

- **AB 2498 (Chen) Clarification Re Preexisting 2019 Agreements:** Expands language in the existing statutory exemption from the SLA for leases, and other contractual agreements in effect prior to September 30, 2019, to include “the requirements of an option agreement.” *This bill has been set for a committee hearing, but then was withdrawn.*
- **AB 2512 (Valencia) Anaheim “Angel” Stadium:** Provides that if an SLA exemption is granted to the City of Anaheim involving the sale or lease of Angel Stadium to a MLB team, then any lease, deed or other materials shall refer to the team as the “Anaheim Angels.”
- **SB 958 (Weber Pierson) CEQA Exemption Midway Rising Sun Project:** This bill prohibits the environmental impacts associated with increased building height from being considered significant impacts on the environment if a project meets specified conditions, including being proposed for an infill site greater than 40 acres with an estimated construction valuation over \$100 million and pays construction workers prevailing wages. *The intent language in the initial version of this bill states that the developer of this Midway Rising Sun project in San Diego was selected through the SLA’s competitive bidding process to ensure the highest public benefits from the redevelopment of city-owned land.*

Economic Development Tools:

- **CALED Support: SB 1120 (McNerney) CalCompetes:** Extends the California Competes Tax Credit program by five additional years from FY 2027-28 to FY 2032-33, at \$180 million annually. In addition, the bill authorizes taxpayers in a “strategic industry” to obtain refundable credits, and are defined to mean industries involved in developing nuclear fusion technologies, quantum technology, or other industries identified in the California Jobs First State Economic Blueprint. *This proposal mirrors the Governor’s proposal to extend CalCompetes in the January Budget. The Legislative Analyst’s Office also recently issued a report recommending the extension of this program:*
<https://lao.ca.gov/Publications/Report/5162>
- **CALED Support: AB 2205 (Quirk Silva) New Employment Tax Credit:** Extends the existing New Employment Tax Credits program by five years so that it applies to qualified individuals hired between January 1, 2026, and before January 1, 2031. *It is unclear if this bill will move in the existing challenged state budget environment. CALED’s letter communicates to the author that we’d also like to follow up with some policy suggestions on ways to improve this law to make it more workable for employers. The Assembly*

Revenue and Taxation Committee's analysis provides good background on this program:
https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=202520260AB2205

- **CALED Support: AB 2377 (Soria) Manufacturing: Accelerated Depreciation:** Provides California manufacturers an accelerated state income tax depreciation schedule applicable to machinery, equipment and other qualified property valued at over \$1 million that is placed into service between January 1, 2027, and January 1, 2032. This accelerated depreciation schedule offers a 50% depreciation in the first year, with a separate 100% (first-year) depreciation provision within “high-need” census tracts exceeding 150% of the statewide unemployment or poverty rate. *CALED worked with our member Fresno EDC to review and provide input on this bill.*
- **CALED Opposition AB 1862 (Boerner) Prohibited Agreements:** CALED opposed the initial version of this bill which proposed to prohibit a wide range of state and local agencies from entering into any contract, lease, grant agreement, joint venture, partnership or other arrangement with a private party that grants a right to restrict or condition the use, allocation, or disbursement of taxpayer funds. *This bill was amended on April 8 to narrow the bill to prohibit a health care district from entering into a transfer agreement that allows a private party to the agreement to prohibit, restrict, or otherwise place conditions upon the health care district's expenditure of taxpayer funds. The Assembly Local Government Committee reports that the author decided not to move this bill forward.*
CALED Support: SB 1228 (Rubio) Billboards Former RDA: This measure aims to assist local agencies with outdoor advertising displays that were negatively impacted by the elimination of local redevelopment agencies (RDAs). Since the elimination of redevelopment, many of these displays have been authorized by temporary statutes to continue in place. Last year, however, a proposed three-year extension of this authorization, by SB 783 (Rubio), was vetoed by the Governor with the request that stakeholders develop a permanent resolution to this issue. SB 1228 would allow a number of these former RDA outdoor advertising displays to continue to benefit their communities via a permit process through the California Department of Transportation.
- **SB 1172 (Hurtado) Sales Tax Agreement Consultants:** Caps the total compensation for a consultant (defined as a person or a business that provides services, including, but not limited to, legal, lobbying, or financial services, for facilitating, negotiating, and advising on a tax sharing agreement entered into after January 1, 2027) at no more than
 - 5% of revenue capped at three years, or
 - \$250,000.

This measure is sponsored by the City of Shafter and supported by the League of California Cities.
- **Under Review: AB 2214 (Jackson) Community Reinvestment Account:** Proposes establishing a Community Reinvestment Account in the State Treasury, with a deposit of \$4 billion from the State Treasurer's Pooled Money Investment Account (*This account currently contains about \$165 billion which includes both state and local funds*). The funds deposited into the Community Reinvestment Account would be allocated to Minority Depository Institutions (MDIs), Community Development Financial Institutions (CDFIs), and community banks for a variety of community investments. *While such a funding source could assist with local community development efforts, both the state and local agencies will want to ensure that the principal and interest on state and local reserve funds invested by the State Treasurer in the Pooled Money Investment Account remain safe and accessible. CALED is awaiting more information on how the State Treasurer and local Treasurers respond to this evolving proposal.*

Manufacturing:

- **Under Review SB 887 (Padilla) CEQA: Data Centers:** Requires CEQA to apply to the issuance of entitlements related to the development and operation of data centers. Prohibits data centers from qualifying for an exemption pursuant to CEQA guidelines. Provides that in order to qualify as an “Environmental Leadership Development Project” (*an existing program which allows the Governor to approve certain large-scale projects that meet specified environmental criteria and pay prevailing wages to construction workers*) a data center (requiring more than 50 megawatts of peak demand) must be certified by a lead agency as meeting numerous conditions. Requires the State Energy Resources Conservation and Development Commission to develop uniform statewide standards applicable to data centers, including requiring regular compliance reporting and enforcement proceedings in the event of noncompliance. *While the goal of protecting existing ratepayers from cost shifts due the power consumption of data centers is sound, many aspects of the criteria in this bill go far beyond that objective. The cumulative impact of all these requirements may be that fewer new data centers are proposed to be built in California.*
- **Under Review: AB 2516 (Petrie-Norris)** Establishes the California Grid Manufacturing Initiative within the GO-Biz, Energy Unit, in coordination with specified state entities, to offer centralized procurement of critical electricity grid components. *An earlier version of this bill required utilities to purchase components (transformers, cables, wires, circuit breakers, reconductors and switchgears) through this state process, but the revised version now makes this an option.*

Workforce:

- **Under Review: AB 2300 (Arambula)** Provides that grants or subgrants awarded by the Employment Development Department to local workforce development boards or the fiscal agents of local workforce development areas, as defined, for the purpose of implementing workforce development programs administered by the department are exempt from specified provisions applicable to state contracts and the State Administrative Manual, and are exempt from the review or approval of any division of the Department of General Services, and instead shall comply with the same financial reporting, recordkeeping, and auditing requirements applicable to federal funds under the Workforce Innovation and Opportunity Act (WIOA).

Miscellaneous:

- **AB 1693 (Zbur) Retailer Tenant Improvements:** Requires a local building department to allow, upon request from an applicant for a permit for retail tenant improvements, a qualified professional certifier (licensed architect or engineer) to certify under penalty of perjury, at the applicant’s expense, compliance with all applicable building, health, and safety codes, including, but not limited to, building standards approved by the California Building Standards Commission and local building standards. Local agencies are required to approve or deny these applications within 20 days. Penalties for violations or false statements by a certifier include revocation of professional state licenses. Local governments are authorized to require professional certifiers to register with the city, undergo local training, and meet other requirements. *This bill is patterned closely after a law approved last year for restaurant tenant improvements.*



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- **AB 2069 (Krell) Fairground Investments:** Proposes to exempt from the state’s portion of the sales tax specified private investments in “qualified projects” within fairgrounds. *Local shares of the sales tax would not be affected.*
- **AB 2552 (Avalia Farias) CEQA: Transportation Impacts:** Provides that a contribution to the Transportation Impact Fund (created by AB 130, last year’s Housing CEQA streamlining bill) is full and complete mitigation for that portion of the project’s significant transportation impact and a legally sufficient mitigation measure under CEQA. The bill makes additional related findings and declarations.

Possible State GO Bonds:

The deadline to qualify measures for the June 2, Primary Ballot has long passed. The deadline to place measures on the November 3, General Election ballot is June 25th.

- **AB 736 (Wicks) Affordable Housing Bond of 2026:** Proposes a \$10 billion housing bond for the June 2, Primary Election.
- **SB 417 (Cabaldon) Affordable Housing Bond Act of 2026.** Proposes a \$10 billion housing bond for the November 3, General Election.
- **SB 895 (Wiener) California Science and Health Research Bond Act:** Proposes a \$23 billion bond to support grants and loans to public or private research companies, universities, institutes, and organizations for scientific research.

Next Steps: This document reflects some of the major legislation of interest to CALED members pending in the Legislature. CALED will continue to track these and other measures for potential impacts on local economic development.

The California Association for Local Economic Development (CALED) is the premier statewide professional economic development organization dedicated to advancing its members’ ability to achieve excellence in delivering economic development services to their communities and business clients.

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