# California Association for Local Economic Development

## 2026 Update on EIFD and TIF-Related Bills

***October 1, 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 Tax Increment Financing Districts and hold special briefings for members with completed districts on bills that may be of interest to them.

### Summary:

2026 was a quieter year when it came to local tax increment financing in the Legislature. Still, less can often mean more for local agencies looking to protect their authority and flexibility.

The year did not start quietly. In early January, CALED alerted its members with planned High Speed Rail (HSR) stations of a legislative proposal being developed at the HSR Authority to control zoning and land use permitting within one-half mile of HSR stations, and capture local sales and property tax increment. CALED's daylighting of this proposal early proved effective. Mayors from affected local cities combined with the League of California Cities and lobbied against the proposal directed to the HSR authority, legislators and the Administration. Thanks to the strong pushback against this proposal, it never surfaced in the Legislature.

This experience serves as a cautionary reminder to local agencies that they need to remain engaged and vigilant when it comes to protecting local tax increment financing tools. CALED will continue to remain on alert for such proposals.

### Significant Tax Increment Financing Legislation:

The legislative appetite continues for creating new versions of tax increment tools tailored to advance specific objectives. In 2026, the following two proposals were signed into law:

- **AB 2110 (Johnson) EIFD Workforce Housing Option.** Establishes the Workforce Enhanced Infrastructure Financing Act, which would allow a local agency to finance the construction of housing dedicated primarily for education, fire/EMS, and manufacturing employees.
  - 70% of the units must be reserved for lower income households and 30% for moderate.
  - Debt issuance under this proposal requires a two-thirds vote. *(Ch. 381 of 2026)*

  *Comment:* It is unclear how much this option will be used by local agencies. EIFDs already have authority to dedicate funds for affordable housing, and there is no public vote requirement for and EIFD to issue debt.

- **SB 226 (Cabaldon) IRFDs: Entertainment and Sports Facilities** Expands the authority of Infrastructure Revitalization Financing District (IRFD) Law -- a seldom used tax increment financing (TIF) tool, which requires a 2/3rds vote to approve bonds -- to allow it to also finance the construction of entertainment and sports facilities.
  *(Ch. 965 of 2026)*
  *Comment:* The sole prior know use of the IRFD tool was to support the development on Treasure Island in San Francisco. The tool is now being considered to construct a Major League Baseball stadium in the City of West Sacramento, which sponsored this legislation. One difference between EIFD and IRFD authority is that EIFDs can finance the acquisition, construction and repair of commercial structures that benefit small business, but IRFDs have no such limitation. Thus, SB 226 is intended to remove any ambiguity that IRFD law can be used to finance entertainment and sports facilities.

Two proposals that **failed to advance** were:

- **AB 2385 (Petrie-Norris) Local Reconstruction Agencies:** Proposed that, as part local pre-disaster planning, local agencies could authorize the establishment of Local Reconstruction Agencies, equipped with numerous powers, including the use of tax increment financing and bond issuance to fund recovery from a disaster using the authority of Climate Resilience District Law. Additional language in this proposal required the Office of Land Use and Climate Innovation and the Office of Emergency Services to issue state guidance on local disaster recovery plans.

  *Comment:* One challenge with evaluating this proposal while it was pending in the Legislature is that similar authority already existed. Just last year local agencies were provided authority under SB 782 (Perez), Ch. 552 of 2025, authorized a city or county to form a Climate Resilience District in an expedited fashion to perform post-disaster reconstruction and mitigating risks of future disasters.

- **SB 1003 (Grayson) Prohousing EIFDs**. Proposed authorizing the formation of a variation of EIFDs called Prohousing Enhanced Infrastructure Financing Districts. These districts would have to meet various affordable housing production thresholds:
  - Require 20% of all units to be affordable to low and moderate (80% to 120% of AMI) income households, and 6% for very low (below 50% of AMI) income households.
  - Require 30% percent of "the total project area" to affordable to lower income (less than 80% of AMI) within 20 years of the establishment of the district.

  Districts established under this legislation were prohibited from financing highways and interchanges and would need have (and maintain) an HCD' Prohousing designation to be eligible for bonus points when applying for state housing funds.

  *Comment:* An earlier version of this legislation offered state grants and loans to housing developments within the affected areas, but that language was deleted in the Senate Appropriations Committee. A challenge with this concept remains that absent reliable state grants or other incentives, similar options already exist for EIFDs under NIFTI(1) (S. 53398.75.5) and NIFTI(2) (S. 53398.75.7), a special tax increment statute authorizing Affordable Housing Authorities (S. 62250-62262), and Community Revitalization and Investment Authorities (S. 62000-62208).

## Opportunity Zones and TIF:

On the Administrative front, the Governor's Office of Business and Economic Development (GO-Biz) emphasized the importance for local agencies proposing low income census tracts which had economic development potential for the Governor's consideration for nomination to the US Treasury for Opportunity Zones (OZs). One such indicator was whether the affected local agency had enacted or was proposing to enact a tax increment financing (TIF) tool within the area. While the state's OZ selection process later became more challenging, it is likely that numerous newly designated OZs will complement the use of local TIF tools.

## Next Steps:

2027 will bring with it a new Governor and revised crop of legislators. CALED has already reached out to the Gubernatorial candidates, and will continue its efforts to protect local authority and flexibility to use TIF tools to address local priorities, while advocating for improvements where necessary.

**This briefing handout was developed by CALED specifically for an invitation-only briefing our members with TIF districts. It is an internal document and not meant to be shared or distributed.**