

Infrastructure Finance Districts

Cities and counties can create Infrastructure Financing Districts (IFDs) to pay for regional scale public works. IFDs can divert property tax increment revenues for 30 years to finance highways, transit, water systems, sewer projects, flood control, child care facilities, libraries, parks, and solid waste facilities. IFDs can't pay for maintenance, repairs, operating costs, and services.

Unlike redevelopment, the property in an IFD doesn't have to be blighted. IFDs and redevelopment agencies' project areas can't overlap.

Forming an IFD is cumbersome. The city or county must develop an infrastructure plan, send copies to every landowner, consult with other local governments, and hold a public hearing. Every local agency that will contribute its property tax increment revenue to the IFD must approve the plan. Schools cannot shift their property tax increment revenues to the IFD. Once the other local officials approve, the city or county must still get the voters' approval to:

- Form the IFD (requires 2/3 voter approval).
- Issue bonds (requires 2/3 voter approval).
- Set the IFD's appropriations limit (majority voter approval).

For years, local officials were reluctant to form IFDs because they worried about the constitutionality of using tax increment revenue from property that was not within a redevelopment project area. When an Attorney General's opinion allayed those concerns, Carlsbad city officials formed a 200-acre IFD in 1999 to fund the public works for a new hotel located adjacent to the Legoland theme park.

Sources

The statute authorizing IFDs is the Infrastructure Financing District Act (Government Code §53395, et seq.). The Legislature adopted this Act in 1990 (Senate Bill 308, Seymour, 1990).

The Attorney General's 1998 opinion interpreting the IFD Act is 81 Ops.Cal.Atty.Gen. 45 (Opinion 97-906; January 16, 1998).

For information about Carlsbad's IFD, contact Jim Elliott (760/602-2409) or Erin Letsch (760/602-2471) with the City of Carlsbad.

A short description of IFDs appears in "Chapter One: Introduction," by Peter M. Detwiler in Exactions and Impact Fees in California: A comprehensive guide to policy, practice, and the law, by William W. Abbott, et al., Solano Press Books: Point Arena, California, 2001.

In 1999, the Legislature adapted the IFD Act for projects along the California-Mexico border. See Government Code §53398, et seq., added by SB 207 (Peace, 1999).

Senate Local Government Committee

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