



SB 516 – California Capitol City Downtown Revitalization Act *Establishes funding for Downtown Sacramento revitalization.*

SUMMARY

SB 516 authorizes the City and County of Sacramento to create a California Capitol City Downtown Revitalization District. This district would allow Sacramento to allocate local tax revenues toward financing infrastructure projects in the downtown area, bordered by the Sacramento River, American River, Broadway, and Alhambra Boulevard.

BACKGROUND

As the Capitol of California, Sacramento has a uniquely high concentration of state-owned buildings and property, particularly within its downtown core. Over 60% of downtown Sacramento's office space is owned or leased by the state and is therefore exempt from local property taxes.¹ **By comparison, no other major city in California has even 10% of its downtown office inventory under state ownership.** These properties provide limited direct fiscal return, while the City of Sacramento remains responsible for maintaining the surrounding infrastructure, including roads, sidewalks, and essential public services such as police, fire, and sanitation.

An Enhanced Infrastructure Financing District (EIFD) is a state-authorized tool that allows local governments to invest in infrastructure and community development by leveraging future tax revenues, known as tax increment financing, without raising taxes.² EIFDs can also accept state and federal funding, offering Sacramento a sustainable way to finance long-term revitalization efforts without placing additional financial strain on residents.

THE PROBLEM

Downtown Sacramento faces several challenges that hinder its growth and development. The high concentration of tax-exempt state-owned buildings significantly limits the city's ability to generate property tax revenue, which funds essential services such as police and fire, road repairs, clean and safe parks, and well-maintained neighborhoods.

Unlike other cities with privately owned downtown land, Sacramento sees little financial return from the large footprint of government property, creating a structural disadvantage in funding local services. Despite this, the city remains responsible for maintaining public infrastructure and services downtown. Many of the state-owned buildings are aging, underused, or in need of redevelopment, while vacant and blighted lots further suppress potential private investment and economic activity.

Sacramento needs more effective tools to address these challenges. Traditional financing methods, such as general obligation bonds, require voter approval and come with restrictions – leaving the city without a flexible mechanism to support timely and targeted infrastructure upgrades in its state-dominated downtown core. The lack of accessible financing options has made it harder for the city to invest in infill development, leading to continued sprawling growth rather than building a vibrant, sustainable urban center. To address these fiscal challenges and revitalize its downtown core, Sacramento is asking for new tools to invest in infrastructure without increasing the burden on local taxpayers.

THE SOLUTION

SB 516 provides a strategic solution by permitting the City or County of Sacramento to establish an Enhanced Infrastructure Financing District (EIFD) in its downtown core, enabling local governments to invest in critical infrastructure projects without raising taxes.

The EIFD would generate dedicated funding to address blight, spur economic development, and improve the livability of the Sacramento downtown area. The California Capitol City Revitalization District would create a consistent funding source to support key projects such as road and sidewalk repairs, affordable housing, transit improvements, and climate adaptation efforts.

¹ Department of General Services

² CA Association of Local Economic Development

The bill also authorizes the EIFD to accept state funding to leverage matching dollars for public development. This additional funding would help offset the city's costs for maintaining infrastructure and services in areas dominated by tax-exempt state properties, offering much-needed financial relief.

SUPPORT

Downtown Sacramento Partnership (sponsor)
CalAsian Chamber of Commerce
City of Sacramento
Greater Sacramento Economic Council
Sacramento Metro Chamber of Commerce

FOR MORE INFORMATION

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