

## The City of West Sacramento Sets Precedent Utilizing EIFD Bonds to Fund Infrastructure

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On July 10, 2025, the City of West Sacramento's (City) Enhanced Infrastructure Financing District No. 1 (EIFD) became the first enhanced infrastructure financing district in California to issue bonds upon its successful issuance of \$57,225,000 of Tax Increment Bonds, Series 2025.

### **Enhanced Infrastructure Financing Districts Provide a Tool to Use Tax Increment Financing to Meet Infrastructure and Facility Needs**

Government Code section 53398.50 et seq. (EIFD Law), provides a tool for California communities to fund regionally significant infrastructure and public facilities using tax increment financing.

Tax increment financing conceptually involves borrowing against future growth in property taxes to fund public infrastructure. Enhanced infrastructure financing districts can collect property tax increment from cities, counties, and special districts that voluntarily agree to contribute those funds. School districts are prohibited from forming or contributing tax increment to enhanced infrastructure financing districts.

Enhanced infrastructure financing districts may issue bonds secured by tax increment revenues, borrow money from their participating taxing entities, and enter into contractual arrangements with lenders and repay those obligations with tax increment revenues.

### **The City of West Sacramento's Enhanced Infrastructure Financing District No. 1**

Since its incorporation in 1987, West Sacramento has used property tax increment financing to develop and improve public infrastructure and drive economic growth in its community. Following the dissolution of redevelopment agencies as a financing tool in 2011, the City was active in shaping the development of Senate Bill 628 in September 2014 which established the EIFD Law and authorized enhanced infrastructure financing districts as a new type of tax increment financing tool.

The City established its EIFD in 2016 with boundaries that encompass approximately 25% of the land area of the City. The City's goals for the EIFD are to use the EIFD to continue the City's efforts to transition areas from heavy industrial use to mixed-use areas that activate and celebrate the City's

waterfront, enhance the City's transportation network, and enhance the quality of public facilities for City residents, businesses, and visitors.

In the eight years that had passed since the City's EIFD was formed, the EIFD's tax increment had grown large enough to support a first series of bonds issued to finance significant City infrastructure projects.

## **Working Collaboratively to Develop Solutions**

As the first municipality utilizing this new financing tool, the City worked closely with its financing team to develop novel solutions to a variety of legal and practical issues.

**Judicial Validation.** The EIFD financing raised a number of novel legal issues that needed to be addressed. These issues included the constitutional debt limit as well as recent legislative amendments to the EIFD Law subsequent to the formation of the City's EIFD. Accordingly, the City and the EIFD in coordination with their legal team successfully obtained a judicial validation judgment that validated the EIFD's formation, the City's allocation of tax increment to the EIFD, and EIFD's authority to issue its bonds.

**Disclosure.** As the first enhanced infrastructure financing district to issue bonds, the City's EIFD had no model to follow and no established market expectations to look to in preparing its Official Statement, the offering document and prospectus for the bonds. Working closely with City Staff and the City's Fiscal Consultant, Lozano Smith, acting as disclosure counsel, assisted the EIFD with preparation of the Official Statement to "tell the story" of the EIFD by describing development within the EIFD since its formation, describing construction activity planned or currently in progress within the EIFD, and projecting the expected growth in the EIFD's tax increment as other City tax increment obligations came to maturity.

**Legal Structure.** While the EIFD was the entity issuing the bonds, the EIFD had no authority to levy taxes to repay the bonds and no ability to generate revenues other than receiving tax increment from the City. The City developed a concept where it formalized its obligation to pay the tax increment to the EIFD, which the EIFD would then use to pay debt service on its bonds.

## **Takeaways**

As the number of EIFDs in the State continues to grow, more public agencies will continue to look into this financing tool as a way to increase their capital stack.

**Lozano Smith** is proud to have served as Bond and Disclosure Counsel on this groundbreaking transaction which represents the beginning of a new era in tax increment financing.

If you have any questions about enhanced infrastructure financing districts and tax increment financing, or regarding any other public finance issues, please contact the authors of this Client News Brief or an attorney at one of our [eight offices](#) located statewide. You can also subscribe to our [podcast](#), follow us on [Facebook](#), and [LinkedIn](#) or download our [mobile app](#).

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