

Date of Hearing: April 21, 2009

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE
ECONOMY

V. Manuel Perez, Chair

AB 1554 (Economic Development Committee) – As Introduced: March 11, 2009

SUBJECT: Geographically Targeted Economic Development Areas code maintenance

SUMMARY: This bill makes technical changes to the statutes related to the Geographically Targeted Economic Development Areas (G-TEDAs). Specifically, the bill:

- 1) Makes grammatical corrections.
- 2) Revises the due date, by which the California Department of Housing and Community Development (HCD) must submit the required 5-year report, to reflect only those years HCD administered the programs and excludes the years when the now defunct Technology, Trade and Commerce Agency administered the G-TEDA programs.
- 3) Eliminates an obsolete reference to an annual work plan.

EXISTING LAW: Provides for the establishment of G-TEDA programs to stimulate business and industrial growth, and create jobs in depressed areas of the state. Specifically, existing law:

- 1) Establishes the Enterprise Zone (EZ) Program with a maximum of 42 EZs, each designated for an initial 15-year period by HCD. HCD is authorized to approve one five-year extension for EZs designated prior to January 1, 1990.
- 2) Establishes the Local Agency Military Base Realignment Area (LAMBRA) Program with a maximum of eight LAMBRAs, each designated for an eight-year period by HCD. Limits designation to one LAMBRA per geographical region of the state.
- 3) Establishes the Manufacturing Enhancement Area (MEA) Program with a maximum of two MEAs, each designated for a 14-year period by HCD. Limits MES designation to impoverished areas along the California-Mexico border.
- 4) Established the Targeted Tax Area (TTA) Program, administered by HCD, within the County of Tulare for a 15-year period.

FISCAL EFFECT: Unknown.

COMMENTS:

- 1) Purpose of the bill: This bill is a reintroduction of AB 1720 (Arambula) from 2008. To the committee's knowledge, there were no controversial issues, the bill simply fell victim to the budget delay. Committees typically carry measures that are code clean up bills that contain technical changes. The bill makes technical, changes to the Government Code pertaining to G-TEAs. Nothing in this bill is intended to be controversial. If language becomes controversial, it will be removed.

- 2) Status report on the G-TEDA programs: The EZ program and the other G-TEDAs are among the largest state economic development programs in California. HCD administers four G-TEDA programs including programs for the EZs, MEAs, LAMBRA, and one TTA.

The G-TEDA programs are based on the principle that targeting significant economic incentives to low-income communities allows these communities to more effectively compete for new businesses and retain existing businesses, resulting in increased tax revenues, less reliance on social services, and lower public safety costs. Residents and businesses also directly benefit from these more sustainable economic conditions through improved neighborhoods, business expansion, and job creation.

Under the G-TEDA programs, businesses and other entities located within targeted areas are eligible for a variety of local and state provided incentives. Local governments often write down the costs of development. They may also fund related infrastructure improvements, provide job training to prospective employees, or establish a streamlined process of obtaining permits. Additionally, the state offers a number of incentives, including: tax credits; special tax provisions; priority notification when selling state surplus lands; access to certain brownfield clean-up programs; and, preferential treatment for state contracts.

The Assembly Committee on Jobs, Economic Development, and the Economy (JEDE), and the Assembly Revenue and Taxation Committee (R&T) undertook a comprehensive, four-month examination of the EZ Program and other G-TEDAs during the 2005-06 Session. A summary of the hearing can be found on the JEDE website at: www.assembly.ca.gov. AB 1550 (Arambula and Karnette), Chapter 718, Statutes of 2006 was enacted to implement many of the management and oversight related recommendations from these hearings. This bill currently provides a vehicle for non-controversial clean-up to AB 1550.

- 4) Related legislation: Below is a list of bills relating to tax incentives.
- a) AB 579 (Swanson): Chapter 529, Statutes of 2007: This bill authorizes a financial institution to claim an investment credit for loans made to a business located in a LAMBRA.
 - b) AB 1134 (Dymally): This bill authorizes the Office of Statewide Health Planning and Development to designate up to 10 medical enterprise zones in medically underserved areas. Status: Filed with the Chief Clerk pursuant to Joint Rule 56.
 - c) AB 1398 (Arambula): This bill harmonizes the hiring credit requirements between the EZ, LAMBRA, TTA, and the MEA. Status: Filed with the Chief Clerk pursuant to Joint Rule 56.
 - d) AB 1651 (Arambula): This bill authorizes a tax credit for tax payers located in an enterprise zones for capital outlay projects that achieve superior environmental efficiencies. Status: Filed with the Chief Clerk pursuant to Joint Rule 56.
 - e) SB 341 (Lowenthal): Chapter 643, Statutes of 2007: This bill expands the methods by which an initially designated EZ may meet the requirements of the California

Environmental Quality Act by authorizing the use of negative declarations and mitigated negative declarations.

- f) AB 1550 (Arambula): Chapter 718, Statutes of 2006: This bill makes a number of significant changes to the management and oversight of the G-TEDA programs. This bill is the result of extensive oversight hearings by JEDE and R&T, and extended discussions with stakeholder groups.
- g) AB 2398 (Maze): Chapter 423, Statutes of 2004: This bill allows for the expansion of a targeted tax area (TTA) territory by up to 15% upon meeting specified criteria. Adds additional incentives to the TTA program.
- h) SB 763 (Lowenthal): Chapter 634, Statutes of 2006: This bill expands HCD's fee authority for the purpose of off-setting the cost of administering the G-TEDA programs.

REGISTERED SUPPORT / OPPOSITION:

Support

Assembly Committee on Jobs, Economic Development, and the Economy, (sponsor)

Opposition

None received

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