

Date of Hearing: March 31, 2022

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Sabrina Cervantes, Chair

AB 2226 (Cervantes) – As Introduced February 15, 2022

**SUBJECT:** California Main Street Program

**POLICY FRAME:** With the elimination of the California Technology, Trade, and Commerce Agency in 2003, many of the state’s economic development programs were removed from statute and defunded. A few were transferred to other agencies, including the California Main Street Program.

In 2011 the Governor’s Office of Economic Development (GO-Biz) was established to provide a one-stop-shop for serving the needs of businesses and economic developers. Under Governor Brown’s reorganization plan of 2012, GO-Biz gained administrative authority for more economic development related programs and services, including the Small Business Loan Guarantee Program and the Infrastructure and Economic Development Bank.

AB 2226 creates a statutory and program facilitation connection between GO-Biz and two other government entities administering economic development-related programs, including the California Main Street Program, administered by the Office of Historic Preservation, and the state-designated cultural districts, administered by the California Arts Council. No program responsibilities of the administering entities are altered under the bill. GO-Biz is added as a collaborator and partner.

The policy committee analysis includes information on place-based and geographically targeted economic development areas, the rise in income inequality in the California, the Main Street Program and its approach to community revitalization, and state-designated cultural districts. There is no known opposition to the bill. Should AB 2226 pass this committee, the bill will be referred to the Assembly Committees on Arts, Entertainment, Sports, Tourism, and Internet Media for further policy discussion, pursuant to the Assembly Committee on Rules. Suggested amendments are included in Comment 7.

**SUMMARY:** AB 2226 strengthens the linkages between the Governor’s Office of Business and Economic Development (GO-Biz) and other state agencies responsible for implementing geographically-based economic development programs, including the Main Street Program and the state-designated cultural districts. In undertaking these activities, the bill emphasizes the role of entrepreneurship in creating vital and sustainable communities. Specifically, **this bill:**

- 1) Expands Go-Biz’s activities to support place-based and other geographically targeted economic development programs to include the California Main Street Program participants and state-designated cultural districts. This includes materials hosted on the GO-Biz resource website, annual resource webinars and other activities GO-Biz develops to support geographically targeted economic development areas. Specifies that these activities focus on strengthening entrepreneurial ecosystems within geographically targeted economic development areas.
- 2) Defines “entrepreneurial ecosystems” to mean policies, structures, and approaches to investment that play a role in supporting new forms of economic activity and enterprise. Entrepreneurial ecosystems are distinct within the range of business development models due to the central role location and the physical environment play within the approach.

- 3) Requires the Office of Historic Preservation to collaborate with the GO-Biz to determine how the California Main Street Program can support business development, thereby increasing private sector investment and economic growth in older central and historic business districts and neighborhoods.
- 4) Requires GO-Biz to support this collaboration by providing all of the following:
  - a) Economic and demographic data.
  - b) Financial information to help link business with state and local public and private programs.
  - c) Workforce information, including, but not limited to, labor availability, training, and education programs.
  - d) Transportation and infrastructure information.
  - e) Assistance in obtaining state and local permits.
  - f) Information on tax credits and other incentives.
  - g) Permitting, siting, and other regulatory information pertinent to business operations in the state.

**EXISTING LAW:**

- 1) **GO-Biz:** Establishes GO-Biz to serve the Governor as the lead entity for economic strategy and the marketing of California on issues relating to business development, private sector investment, international trade, and economic growth. Among other duties, GO-Biz is authorized to make recommendations to the Governor and Legislature on new state policies, programs, and actions, or amendments to existing programs to advance statewide economic goals, respond to emerging economic problems, and ensure that state policies and programs conform to the state's economic and business development goals.
  - a) Authorizes GO-Biz to facilitate the exchange of information relating to programs and services that may benefit to place-based and other geographically targeted economic development programs, including federal Promise Zone and federally-designated Opportunity Zones.
  - b) Among other activities, GO-Biz is required to convene, at least annually, representatives from various state and federal programs and agencies to discuss how California can leverage Promise Zones and Opportunity Zones to meet state and local community and economic development needs. Required topics of the annual meetings include, but not be limited to, enhanced engagement opportunities and targeted outreach that assists designated areas in their efforts to access state resources and services.
- 2) Establishes the California Main Street Program within the State Office of Historic Preservation and requires the program to provide technical assistance and training to governments of small cities, business organizations, merchants, and property owners to accomplish community and economic revitalization and development of older central and historic business districts and neighborhoods.
- 3) Authorizes the California Arts Council to establish criteria and guidelines for certifying state-designated cultural districts for five years. A district is authorized to renew certification every three years.
  - a) In executing its powers and duties under this chapter, the council shall do all of the following:

- i) Establish a competitive application system by which a community may apply for certification as a state-designated cultural district.
  - ii) Provide technical assistance for state-designated cultural districts from, among others, artists who have experience with cultural districts and provide promotional support for state-designated cultural districts.
  - iii) Collaborate with other public agencies and private entities to maximize the benefits of state-designated cultural districts.
- b) Authorizes the California Arts Council to solicit and receive gifts, donations, bequests, grants of funds, or any other revenues, from public or private sources and expend those moneys, upon appropriation by the Legislature, for a state-designated cultural district program, as specified.
- c) Defines a “state-designated cultural district” to mean a geographical area certified pursuant to this chapter with a concentration of cultural facilities, creative enterprises, or art venues that does any of the following:
- i) Attracts artists, creative entrepreneurs, and cultural enterprises.
  - ii) Encourages economic development and supports entrepreneurship in the creative community.
  - iii) Encourages preserving and reusing of historic buildings and other artistic and culturally significant structures.
  - iv) Fosters local cultural development.
  - v) Provides a focal point for celebrating and strengthening the community’s unique cultural identity.
  - vi) Promotes opportunity without generating displacement or expanding inequality.

**FISCAL EFFECT:** Unknown

**COMMENTS & CONTEXT:**

- 1) **Place-Based Models:** Main Street Programs and Cultural Districts are two of the many initiatives that use place-based models to support economic and community development activities. Place-based models encourage collaborative and integrated approaches to make holistic improvements to the physical and civic/social environment. In contrast to traditional top-down program delivery models, place-based models use local facilitation to identify and bring resources to the entire community consistent with neighborhood-level priorities. While both models are useful, for individuals who live in lower-income areas and are committed to addressing complex issues, such as business development, jobs creation, and affordable housing, place-based approaches have demonstrated to have certain advantages.

Another key component of a place-based model is that it builds upon the unique features of a community and existing physical and social assets. By strengthening an area’s local identity and reinforcing cross-sector relationships, the capacity of the community to tackle the inevitable challenges to reaching goals is also improved.

For decades, federal, state, and local governments have used place-based strategies for targeted resources. In addition to Main Street Communities and Cultural Districts, place-based strategies

include the federal Opportunity Zones, Promise Zones, Empowerment Zones, and Enterprise Communities; Strong Cities, Strong Communities (SC2); and Strike Force for Rural Growth and Opportunity Initiative, as well as private sector initiatives such as the All-In Cities initiative sponsored by PolicyLink.

- 2) **Economic Justice and Building an Equitable Economy:** Many of those most impacted by the coronavirus emergency also live in California's most vulnerable and historically underinvested neighborhoods.

This is not a new trend. Research shows that the inequality between residents of lower-income communities and those who reside in California's most affluent communities has dramatically increased in the past several decades. For example, the pretax income among the highest 1% of California taxpayers increased from 9.82% in 1980 to 25.1% of total income in 2013. During the last seven years, the pace of these disparities has only increased. This rise in economic disparity has significant social and economic ramifications for everyone in the state.

As the coronavirus pandemic unfolded, the federal Centers for Disease Control and Prevention (CDC) began reporting that "current data suggest a disproportionate burden of illness and death among racial and ethnic minority groups." In identifying factors related to these findings, the CDC noted that "[h]ealth differences between racial and ethnic groups are often due to economic and social conditions that are more common among some racial and ethnic minorities than whites."

PolicyLink, in its COVID-19 economic recovery strategy, called for "sustained and race-conscious policies and investments to stabilize people during the crisis and bridge to a more equitable future." In taking actions to respond and economically recover from the pandemic, PolicyLink recommended that policymakers be guided by three principles:

- Ensure economic security during the crisis.
- Use stimulus funds to build the next economy.
- Forge a new social contract that enables shared prosperity.

PolicyLink is not an outlier in calling for targeted investment in communities of color and focusing on building a more equitable economy. Addressing the systemic and complex challenges faced by California's low-income neighborhoods of color will require deep economic, workforce, and community development work over a sustained period of time.

Place-based initiatives, like the Main Street Program, have demonstrated their ability to strengthen neighborhoods from within. Since its inception, Main Street communities across the US have seen almost \$75 billion in new investment. California's Main Street Program is being underutilized by the state government as an economic development tool to attract new investment and support the existing entrepreneurs within historically significant neighborhoods. The Main Street Approach of investing in people and leveraging the intrinsic value of location helps build vibrant neighborhoods to live, work, and visit.

- 3) **The Challenge of Income Inequality during COVID-19:** While California's dominance in innovation-based industries is unquestionable, the divide between the middle- and lower-income households and the top income earners is accelerating. Even when California's unemployment rate was at historic lows pre-pandemic, unemployment within certain geographic regions and population

groups remained significantly higher, as did the number of people in the state who were not participating in the core economy. In March 2020, California reported an unemployment rate of 5.1% compared to the US rate of 4.5%. From the employment side, this represents 18.1 million people in California, with (*according to the 12-month moving average*) 82.5% being employed in full-time work.

The State of California Economic Development Department, in March 2020 (*not seasonally adjusted*), reported three of California's 58 counties had unemployment below 3.0%, with San Mateo County reporting the lowest at 2.5%. The highest unemployment was reported in Colusa (21.4%). Year-over (March 2019- March 2020), three counties experienced an unemployment rate decline, three counties experienced no change in the unemployment rate, and 52 experienced unemployment rate increases from the prior year.

**Chart 1 – Selected Data on Unemployment** shows unemployment-related information by selected counties and population groups for a time period that includes COVID-19, March 2020 to March 2021. A comparable unemployment date for January 2022 is also included.

<b>Chart 1 - Selected Data on Unemployment (2020-2021)</b>							
<b>Unemployment Rate (Not Seasonally Adjusted)</b>				<b>Unemployment Rate (Not Seasonally Adjusted) (12 month moving average)</b>			
	<b>March 2020</b>	<b>March 2021</b>	<b>January 2022</b>		<b>March 2020</b>	<b>March 2021</b>	<b>January 2022</b>
<b>California</b>	5.1%	8.2%	5.5%	<b>California</b>	4.1%	11.1%	6.9%
<b>Colusa County</b>	21.4%	15.4%	14.8%	<b>Blacks</b>	5.2%	13.9%	11.3%
<b>Imperial County</b>	20.4%	15.7%	15.6%	<b>Hispanics</b>	4.7%	12.5%	7.6%
<b>Los Angeles County</b>	5.6%	10.9%	6.1%	<b>Whites</b>	4.0%	10.8%	6.5%
<b>Orange County</b>	4.19%	7.0%	4.2%	<b>16 to 19 years old</b>	15.1%	24.5%	14.9%
<b>Riverside County</b>	4.7%	7.7%	5.6%	<b>20 to 24 years old</b>	7.6%	17.5%	10.9%
<b>Sacramento County</b>	4.3%	7.4%	5.4%	<b>25 to 34 years old</b>	4.1%	11.7%	6.7%
<b>San Bernardino County</b>	4.4%	7.8%	5.7%	*The Employment Development Department reports a March 2021 (12-month moving average) Labor Participation Rate (LPR) of 60.2% with 12.4 million people in California representing those who were not participating in the workforce (the remaining 38.8%). The LPR for veterans is 42.4% vs nonveterans LPR of 63.3%.			
<b>San Luis Obispo County</b>	3.5%	5.8%	3.6%				
<b>San Mateo County</b>	2.5%	5.0%	3.1%				
<b>Tulare County</b>	13.2%	11.6%	9.5%				
Source: <a href="http://www.edd.ca.gov">www.edd.ca.gov</a>							

In March 2021, California was reported to have an unemployment rate of 8.2% (*not seasonally adjusted*) compared to the US rate of 6.2%. From the employment side, this represents 17.3 million people, with 83.0% (*based on a 12-month moving average*) being employed in full-time work. In January 2022, the unemployment rate was reported at 5.5%, reflecting approximately 1.1 million unemployed workers.

As illustrated in Chart 1, the disparities among population groups continued, and most cases increased for some regions of the state and individuals from certain demographics. In one example,

unemployment among Blacks was at a historic low at 5.2% but still above the state average of 4.1%. One year into COVID-19, the differences between Black unemployment rates and the statewide rate have more than doubled. A comparison of January 2022 unemployment shows the difference is even greater than in March 2021; 11.3% versus 6.9%.

The disparities shown in these charts are driven by and also influence a range of economic and societal issues, including, but not limited to, minimal educational attainment, economic insecurity, poor health outcomes, negative engagements with law enforcement, and lack of a safety net for the elderly and individuals with special needs. COVID-19 magnified these effects, further putting strains on already struggling low-wage workers, particularly in the Black and Latinx communities.

- 4) **California Main Street Program:** The Office of the Historical Preservation, led by the State Historic Preservation Officer, plays a vital role in preserving historic and cultural resources in California. One component of their activities is assisting local communities in integrating preservation into the broader context of overall community land-use planning and economic development activities.

The Office of Historic Preservation is statutorily tasked, pending receipt of funding, with overseeing the California Main Street Program, which provides technical assistance and training for governments of small cities, business organizations, merchants, and property owners to help them successfully undertake community and economic revitalization and development of older central and historic business districts and neighborhoods. Due to budgetary constraints, the Office currently has limited capacity to provide local assistance. Where possible, however, the Office of Historic Preservation co-sponsors conferences and other training opportunities.

Before the demise of the California Technology, Trade and Commerce Agency, the state had a robust Main Street Program. When the entire agency was abolished and nearly all programming was eliminated in 2003, the Main Street Program was saved by transferring it to the Business, Transportation, and Housing Agency. In 2004, a second transfer moved the program to the Office of Historic Preservation, but without a specific funding source, within the Department of Parks and Recreation.

During the initial years of the transfer, the Office of Historic Preservation maintained an MOU with the California Main Street Alliance, an independent nonprofit dedicated to supporting local Main Street communities. In 2007/08, the MOU with the Office lapsed. In 2018, the [National Main Street Center](#), a subsidiary of the National Trust for Historic Preservation, began serving California's Main Street communities through an MOU with the California Main Street Alliance.

At the core of the Main Street Program is the "Main Street Approach" which combines community and economic development with historic preservation and cultural respect. The Main Street Approach is a comprehensive and integrated framework communities can use to identify their assets, competitive advantages, and build from those strengths. The Main Street Approach is organized around four pillars from which communities create their own transformational strategies. Those four pillars include economic vitality, design, promotion, and organization.

There are 31 California Main Street communities who are members of the California Main Street Alliance, including: Arcata, Bellflower, Benicia, Brentwood, Cardiff-by-the-Sea, Carlsbad, Chico, Coachella, Coronado, East Oakland, Encinitas, Eureka, Fremont, Fruitvale Village (Oakland), Grass Valley, Gilroy, Hanford, Hollister, Leucadia, Livermore, Mariposa, Martinez, Oakley, Ocean Beach

(San Diego), Oceanside, Paso Robles, Pleasanton, Redding, Richmond, San Luis Obispo, and San Jacinto.

Since its inception in 1986, the California Main Street communities have collectively secured more than \$8 million in public and private reinvestment, added 32,000 jobs, created 7,000 new businesses, and rehabilitated over 2,000 buildings.

- 5) **Cultural Districts:** In 2017, the California Arts Council began designating cultural districts, which the statute defines as geographic areas within communities with a concentration of cultural facilities, creative enterprises, and/or arts venues. [AB 187, Chapter 396, Statutes of 2015]

According to the Assembly Concurrent analysis for the enacting legislation, Assemblymember Bloom (*author*) stated that "establishing state-designated cultural districts will help to draw more tourism and commerce to these creative clusters... Arts and cultural districts in other states have spurred new business, increased community interaction, attracted more tourism, and increased government revenue based on the economic growth."

In supporting the state-designated cultural districts, the CA Arts Council provides technical assistance and collaborates with other public agencies and private entities to maximize the benefits of state-designated cultural districts. The Governor's proposed budget for 2022-23 includes \$30 million to support the existing 14 cultural districts and to expand the cultural districts program to serve traditionally underserved communities. The initial 14 districts were designated under a pilot project. The California Arts Council has completed a [final report](#).

The Budget Change Proposal states that the Cultural Districts Program serves as an important tool for developing, supporting, and preserving of California's extensive and diverse cultural assets. The additional funding will allow the Arts Council to prioritize the following designations:

- Districts that represent Latinx and Asian American communities, who are underrepresented
- in the current cultural district cohort.
- Districts in lower-income and rural counties.
- African American districts, or Black "umbrella" districts that encompass several culturally
- Specific communities within it, who are absent from the current cultural district cohort.
- Districts that represent Chinese American and Native American communities, who are also
- absent from the current cohort.

AB 2226 will further support the success of these districts by helping them identify and access other public and private resources to complete district priorities.

- 6) **Proposed Amendments:** Below is a list of amendments the committee members may wish to review when considering the bill.
- a) Authorize rather than mandate collaboration between the Historic Preservation Commission.
  - b) Clarify that assisting communities to create successful entrepreneurial ecosystems represents one of many activities that support vibrant and resilient areas.
- 7) **Related Legislation:** Below is a list of bills from the current and prior sessions.

- a) **AB 29 (John A. Pérez, Feuer, and V. Manuel Pérez) Office of Business and Economic Development:** This bill established GO-Biz to include the newly codified California Business Services and the existing Office of the Small Business Advocate. Status: Signed by the Governor, Chapter 475, Statutes of 2011.
- a) **AB 187 (Bloom) Cultural Districts:** This bill requires the California Arts Council to establish criteria and guidelines for certifying state-designated cultural districts, as defined. Status: Signed by the Governor, Chapter 396, Statutes of 2015.
- b) **AB 358 (Greyson) Regional Economic Development Areas:** This bill enacts the Regional Economic Development Area Act for the purpose of certifying regional economic development areas that include, but are not limited to, active and inactive military bases. Status: Died without action in Assembly Committee on Jobs, Economic Development, and the Economy, 2018.
- c) **AB 742 (Cervantes) Office of Place-Based Economic Strategies:** This bill establishes a new unit, the Office of Place-Based Economic Strategies, within GO-Biz to assist communities who have been federally designated as Opportunity Zones, Promise Zones, or other geographically targeted economic development areas. The new unit's focus is to help communities and neighborhoods access state resources that implement locally developed economic and community development strategies. Status: Held in Assembly Committee on Appropriations, 2019.
- d) **AB 1178 (Bocanegra) Promise Neighborhoods:** This bill would have established the California Promise Neighborhood Initiative to develop a system of 40 promise neighborhoods throughout California to support children's development from cradle to career. California Promise Neighborhoods were intended to foster a community focused on revitalization by establishing a cradle-to-career network of services aimed at improving the health, safety, education, and economic development of the defined area. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2014.
- e) **SB 635 (Hueso) Governor's Office of Business and Economic Development: Office of the Promise Zone Coordinator:** This bill authorizes the Governor's Office of Business and Economic Development (GO-Biz) to develop and post information on its website, as well as undertake other outreach activities, which support Promise Zones and Opportunity Zones, as specified. This bill also requires GO-Biz to convene representatives from various state and federal programs to discuss how California can leverage the federal Promise Zones or Opportunity Zones to meet state and local community and economic development needs, as specified. Status: Signed by the Governor, Chapter 888, Statutes of 2018.
- 8) **Double Referral:** The Assembly Committee on Rules has referred this measure to the Assembly Committee on Jobs, Economic Development, and the Economy and to the Assembly Committee on Arts, Entertainment, Sports, Tourism, and Internet Media (AESTIM). Should this measure pass the committee, it will be referred to AESTIM for further policy consideration.

#### REGISTERED SUPPORT / OPPOSITION:

##### Support

California Coastal Rural Development Corporation  
 Coalition of Small and Disabled Veteran Businesses  
 Microenterprise Collaborative of Inland Southern California

##### Opposition



None on File

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