

AMENDED IN ASSEMBLY APRIL 8, 2019

CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

ASSEMBLY BILL

No. 1479

Introduced by Assembly Member Cervantes

February 22, 2019

An act to amend Sections 63044, 63045, and 63046 of the Government Code, relating to state government.

LEGISLATIVE COUNSEL'S DIGEST

AB 1479, as amended, Cervantes. Opportunity Zone Credit Enhancement Act.

The Bergeson-Peace Infrastructure and Economic Development Bank Act authorizes the California Infrastructure and Economic Development Bank to, among other things, provide financing for specified economic development projects, including economic development facilities, as defined. The act authorizes the bank to make credit enhancements to a sponsor or participating party as financial assistance for a project. The act prohibits the bank from providing financing if the bank has not determined that the financing meets specified public interest criteria.

Existing federal law authorizes the United States Secretary of the Treasury to certify and designate qualified opportunity zones. Existing federal law authorizes a taxpayer to defer to a later taxable year specified capital gains from certain investments in property located in a qualified opportunity zone. Under existing federal law, a qualified opportunity zone means a population census tract that is a low-income community.

This bill would require the bank to consider providing a credit enhancement to support an economic development facility in a qualified opportunity zone and to establish procedures for the expeditious review of applications for those credit enhancements. The bill would further

authorize the bank to provide credit enhancements that support financing for economic development facilities located in a qualified opportunity zone. The bill would also create additional required public interest criteria that would apply to these credit enhancements.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. This act shall be known, and may be cited, as the
2 Opportunity Zone Credit Enhancement Act.

3 SEC. 2. The Legislature finds and declares all of the following:

4 (a) California’s overall economic growth and increase in jobs
5 has outpaced the United States in general, often ranking the state
6 within the top five states in terms of its economic condition. Most
7 recently, the Department of Finance announced that California has
8 the fifth largest economy in the world. This success, however, has
9 not been consistent throughout the state, with many regions and
10 certain population groups still experiencing recession-related poor
11 economic conditions.

12 (b) According to the United States Census Bureau, California’s
13 poverty rate is 14.3 percent, while the national rate is ~~12.7~~ 13.4
14 percent. It is estimated that nearly one-quarter of California’s
15 children are living in households with annual incomes near or
16 below the federal poverty line. Using the federal Supplemental
17 Poverty Measure, which accounts for geographic differences,
18 transfer payments, and out-of-pocket expenses, ~~20.4~~ 19 percent of
19 California residents on average lived in poverty between ~~2014 and~~
20 ~~2016.~~ 2015 and 2017. The national average poverty rate in that
21 time period was ~~14.7~~ 14.1 percent. Significant contributing factors
22 to these poverty rates are education and basic skill deficits
23 experienced by many Californians from rural and inner-city areas,
24 other historically underserved population groups, and those who
25 are more recently encountering employment challenges, including
26 returning veterans.

27 (c) Provisions in the federal Tax Cuts and Jobs Act of 2017
28 authorize the establishment of opportunity zones in low-income
29 areas of a state for the purpose of attracting private investment
30 capital. Federal law authorizes a broad range of business
31 investments, including investments in stock, partnership interest,

1 and business property. A qualified opportunity zone business
2 property investment may include new and substantially improved
3 tangible property, including commercial buildings, equipment,
4 and multifamily housing complexes.

5 (d) Many communities are looking at how they can leverage
6 opportunity zones to bring new investments to often overlooked
7 neighborhoods. However, development in these low-income areas
8 is difficult. Communities will need to identify and remove, where
9 possible, development impediments if they are to become
10 investment ready and competitive with the nearly 8,000 census
11 tracts outside of California that have been federally designated as
12 ~~an opportunity zone.~~ *opportunity zones.*

13 (e) *Cities and counties are encouraged to post on their internet*
14 *websites opportunity zone eligible census tracts, including*
15 *information on vacant land, zoning, and entitlement status of*
16 *available properties within those census tracts.*

17 SEC. 3. Section 63044 of the Government Code is amended
18 to read:

19 63044. (a) The bank shall consider a project for conduit
20 financing for economic development facilities upon filing of an
21 application with the bank by an appropriate participating party, on
22 the terms and conditions the bank shall determine. The bank shall
23 establish procedures for the expeditious review of applications for
24 the issuance or approval of bonds to finance economic development
25 facilities.

26 (b) The bank shall consider providing a credit enhancement to
27 support the development of an economic development facility *in*
28 *a qualified opportunity zone* upon the filing of an application with
29 the bank by an appropriate participating party, on the terms and
30 conditions the bank shall determine, subject to *the requirements*
31 *described in* subdivision (e) of Section 63045. The bank shall
32 establish procedures for the expeditious review of applications for
33 the issuance or approval of a credit enhancement to finance
34 economic development facilities.

35 SEC. 4. Section 63045 of the Government Code is amended
36 to read:

37 63045. In order to provide or arrange for the financing of
38 economic development facilities, the bank may:

39 (a) Issue taxable revenue bonds pursuant to Chapter 5
40 (commencing with Section 63070) to provide financing for

1 economic development projects compatible with the public interest
2 as specified in Section 63046.

3 (b) Issue taxable revenue bonds pursuant to Chapter 5
4 (commencing with Section 63070) to provide financing for the
5 revolving loan funds and economic development projects of small
6 business development corporations, local economic development
7 corporations, community development corporations, and nonprofit
8 organizations, which revolving loan funds and economic
9 development projects shall be compatible with the public interest.

10 (c) Issue tax-exempt revenue bonds pursuant to Chapter 5
11 (commencing with Section 63070) to provide financing for
12 economic development facilities as permitted by federal law and
13 in accordance with applicable California law relating to the
14 distribution of state allocations for private activity bonds. Projects
15 so financed shall be compatible with the public interest as specified
16 in Section 63046.

17 (d) Issue tax-exempt revenue bonds pursuant to Chapter 5
18 (commencing with Section 63070) for economic development
19 facilities of public sector and nonprofit organizations qualifying
20 for exemption under federal law.

21 (e) Provide credit enhancements that support financing for
22 economic development facilities located in a census tract in this
23 state that the United States Secretary of the Treasury has designated
24 as a qualified opportunity zone pursuant to Section 1400Z-1 of the
25 Internal Revenue Code.

26 SEC. 5. Section 63046 of the Government Code is amended
27 to read:

28 63046. (a) The bank shall not make financing under this article
29 unless the bank has first determined that the financing or assistance
30 meets all of the following public interest criteria:

31 (1) The financing, loan, grant, or other assistance is for a project
32 or a use in the State of California.

33 (2) Those seeking funds or other assistance are capable of
34 meeting obligations incurred under relevant agreements.

35 (3) In the case of loans or bonds, payments to be made under
36 applicable financing documents are adequate to pay the current
37 expenses of the bank in connection with the financing and to make
38 payments on the bonds.

39 (4) The proposed financing is appropriate for the specific project.

1 (b) In addition to the requirements in subdivision (a), for credit
2 enhancements that support financing for economic development
3 ~~facilities~~, *facilities in opportunity zones*, the bank shall determine
4 that the project supports both of the following community
5 development criteria:

6 (1) The facility provides economic opportunities for individuals
7 currently residing in a census tract where the project is located,
8 including wealth creation and asset formation.

9 (2) Development of the facility does not displace lower income
10 residents.

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