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AMENDED IN SENATE JUNE 19, 2006

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AMENDED IN ASSEMBLY JANUARY 4, 2006

AMENDED IN ASSEMBLY APRIL 18, 2005

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

## ASSEMBLY BILL

**No. 1550**

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**Introduced by Assembly ~~Member Arambula~~ *Members Arambula  
and Karnette***

***(Principal coauthors: Assembly Members Dymally, Garcia, and  
Houston)***

*(Principal coauthors: Senators Ducheny, Lowenthal, and Machado)  
(Coauthor: Senator Florez)*

February 22, 2005

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~~An act to amend Section 14504 of the Government Code, relating to  
transportation.~~ *An act to amend Sections 7072, 7073, 7073.8, 7074,  
7076.1, 7097, 7099, and 7116 of, and to add Sections 7073.1, 7074.2,  
7082.2, and 7085.1 to, the Government Code, relating to economic  
development, and declaring the urgency thereof, to take effect  
immediately.*

### LEGISLATIVE COUNSEL'S DIGEST

AB 1550, as amended, Arambula. ~~California Transportation  
Commission.~~ *Economic incentive areas.*

*Existing law provides for the designation and oversight by the  
Department of Housing and Community Development of various*

*economic development areas in the state, including enterprise zones, up to 2 Manufacturing Enhancement Areas, a targeted tax area, and local agency military base recovery areas, or LAMBRAs, pursuant to which qualifying entities in those areas may receive various tax and regulatory incentives.*

*This bill would make various revisions in the requirements for designating and administering enterprise zones generally. It would provide for the administration and oversight of geographically targeted economic development areas, known as G-TEDAs, which would include enterprise zones, Manufacturing Enhancement Areas, the targeted tax area, and LAMBRAs, by the department, subject to specified criteria. It would also apply various requirements applicable to those entities to the G-TEDAs.*

*This bill would declare that it is to take effect immediately as an urgency statute.*

~~Existing law establishes the California Transportation Commission and requires the Governor, in appointing 9 members, to make every effort to assure that there is a geographic balance of representation on the commission, with members from the northern and southern areas of the state.~~

~~This bill would also require the Governor, in appointing members, to include members from the coastal and inland areas of the state.~~

Vote: ~~majority~~<sup>2/3</sup>. Appropriation: no. Fiscal committee: ~~no~~  
yes. State-mandated local program: no.

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

1     SECTION 1. Section 7072 of the Government Code is  
2     amended to read:

3     7072. For purposes of this chapter, the following definitions  
4     shall apply:

5     (a) “Department” means the Department of Housing and  
6     Community Development.

7     (b) “Date of original designation” means the earlier of the  
8     following:

9     (1) The date the eligible area receives designation as an  
10    enterprise zone by the department pursuant to this chapter.

11    (2) In the case of an enterprise zone deemed designated  
12    pursuant to subdivision (e) of Section 7073, the date the  
13    enterprise zone or program area received original designation by

1 the former Trade and Commerce Agency pursuant to Chapter  
2 12.8 (commencing with Section 7070) or Chapter 12.9  
3 (commencing with Section 7080), as those chapters read prior to  
4 January 1, 1997.

5 (c) "Eligible area" means any of the following:

6 (1) An area designated as an enterprise zone pursuant to  
7 Chapter 12.8 (commencing with Section 7070), as it read prior to  
8 January 1, 1997, or as a targeted economic development area,  
9 neighborhood development area, or program area pursuant to  
10 Chapter 12.9 (commencing with Section 7080), as it read prior to  
11 January 1, 1997.

12 (2) A geographic area that, based upon the determination of  
13 the department, fulfills at least one of the following criteria:

14 (A) The proposed geographic area meets the Urban  
15 Development Action Grant criteria of the United States  
16 Department of Housing and Urban Development.

17 (B) The area within the proposed ~~zone~~ *eligible area* has  
18 experienced plant closures within the past two years affecting  
19 more than 100 workers.

20 (C) The city or county has submitted material to the  
21 department for a finding that the proposed geographic area meets  
22 criteria of economic distress related to those used in determining  
23 eligibility under the Urban Development Action Grant Program  
24 and is therefore an eligible area.

25 (D) The area within the proposed zone has a history of  
26 gang-related activity, whether or not crimes of violence have  
27 been committed.

28 (3) A geographic area that meets at least two of the following  
29 criteria:

30 (A) The census tracts within the proposed ~~zone~~ *eligible area*  
31 have an unemployment rate not less than 3 percentage points  
32 above the statewide average for the most recent calendar year as  
33 determined by the Employment Development Department.

34 (B) The county of the proposed ~~zone~~ *eligible area* has more  
35 than 70 percent of the children enrolled in public school  
36 participating in the federal free lunch program.

37 (C) The median household income for a family of four within  
38 the census tracts of the proposed ~~zone~~ *eligible area* does not  
39 exceed 80 percent of the statewide median income for the most  
40 recently available calendar year.

1 (d) “Enterprise zone” means any area within a city, county, or  
2 city and county that is designated as such by the department in  
3 accordance with Section 7073.

4 (e) “Governing body” means a county board of supervisors or  
5 a city council, as appropriate.

6 (f) *G-TEDA means a geographically targeted economic*  
7 *development area, which is an area designated as an enterprise*  
8 *zone, a Manufacturing Enhancement Area, a targeted tax area,*  
9 *or a local agency military base recovery area.*

10 ~~(f) “High technology~~

11 (g) “High-technology industries” includes, but is not limited  
12 to, the computer, biological engineering, electronics, and  
13 telecommunications industries.

14 ~~(g)~~

15 (h) “Resident,” unless otherwise defined, means a person  
16 whose principal place of residence is within a targeted  
17 employment area.

18 ~~(h)~~

19 (i) (1) “Targeted employment area” means an area within a  
20 city, county, or city and county that is composed solely of those  
21 census tracts designated by the United States Department of  
22 Housing and Urban Development as having at least 51 percent of  
23 its residents of low- or moderate-income levels, using either the  
24 most recent United States Department of Census data available at  
25 the time of the original enterprise zone application or the most  
26 recent census data available at the time the targeted employment  
27 area is designated to determine that eligibility. The purpose of a  
28 “targeted employment area” is to encourage businesses in an  
29 enterprise zone to hire eligible residents of certain geographic  
30 areas within a city, county, or city and county. A targeted  
31 employment area may be, but is not required to be, the same as  
32 all or part of an enterprise zone. A targeted employment area’s  
33 boundaries need not be contiguous. A targeted employment area  
34 does not need to encompass each eligible census tract within a  
35 city, county, or city and county. The governing body of each city,  
36 county, or city and county that has jurisdiction of the enterprise  
37 zone shall identify those census tracts whose residents are in the  
38 most need of this employment targeting. Only those census tracts  
39 within the jurisdiction of the city, county, or city and county that

1 has jurisdiction of the enterprise zone may be included in a  
2 targeted employment area.

3 ~~At~~

4 (2) ~~At~~ least a part of each eligible census tract within a targeted  
5 employment area shall be within the territorial jurisdiction of the  
6 city, county, or city and county that has jurisdiction for an  
7 enterprise zone. If an eligible census tract encompasses the  
8 territorial jurisdiction of two or more local governmental entities,  
9 all of those entities shall be a party to the designation of a  
10 targeted employment area. However, any one or more of those  
11 entities, by resolution or ordinance, may specify that it shall not  
12 participate in the application as an applicant, but shall agree to  
13 complete all actions stated within the application that apply to its  
14 jurisdiction, if the area is designated.

15 ~~Each~~

16 (3) ~~Each~~ local governmental entity of each city, county, or city  
17 and county that has jurisdiction of an enterprise zone shall  
18 approve, by resolution or ordinance, the boundaries of its  
19 targeted employment area, regardless of whether a census tract  
20 within the proposed targeted employment area is outside the  
21 jurisdiction of the local governmental entity.

22 (4) (A) *Within 180 days of updated United States census data*  
23 *becoming available, each local governmental entity of each city,*  
24 *county, or city and county that has jurisdiction of an enterprise*  
25 *zone shall approve, by resolution or ordinance, boundaries of its*  
26 *targeted employment area reflecting the new census data. If no*  
27 *changes are necessary to the boundaries based on the most*  
28 *current census data, the enterprise zone may send a letter to the*  
29 *department stating that a review has been undertaken by the*  
30 *respective local governmental entities and no boundary changes*  
31 *are required.*

32 (B) *A targeted employment area boundary approved prior to*  
33 *the 2000 United States census data becoming available that has*  
34 *not been reviewed and its boundaries revised to reflect the most*  
35 *recent census data, shall be reviewed and updated, and a new*  
36 *resolution or ordinance submitted by the appropriate local*  
37 *governmental entity to the department, by July 1, 2007. However,*  
38 *enterprise zones that expire on or prior to December 31, 2008,*  
39 *shall be exempt from the update requirement.*

1     *SEC. 2. Section 7073 of the Government Code is amended to*  
2     *read:*

3     7073. (a) Except as provided in subdivision (e), any city,  
4     county, or city and county with an eligible area within its  
5     jurisdiction may complete a preliminary application for  
6     designation as an enterprise zone. The applying entity shall  
7     establish definitive boundaries for the proposed enterprise zone  
8     and the targeted employment area.

9     (b) (1) In designating enterprise zones, the department shall  
10    select from the applications submitted those proposed enterprise  
11    zones that, upon a comparison of all of the applications  
12    submitted, indicate that they propose the most—~~effective~~  
13    *appropriate*, innovative, and comprehensive regulatory, tax,  
14    program, and other incentives in attracting private sector  
15    investment in the zone proposed.

16    (2) For purposes of this subdivision, regulatory incentives  
17    include, but are not limited to, all of the following:

18    (A) The suspension or relaxation of locally originated or  
19    modified building codes, zoning laws, general development  
20    plans, or rent controls.

21    (B) The elimination or reduction of fees for applications,  
22    permits, and local government services.

23    (C) The establishment of a streamlined permit process.

24    (3) For purposes of this subdivision, tax incentives include,  
25    but are not limited to, the elimination or reduction of construction  
26    taxes or business license taxes.

27    (4) For the purposes of this subdivision, program and other  
28    incentives may include, but are not limited to, all of the  
29    following:

30    (A) The provision or expansion of infrastructure.

31    (B) The targeting of federal block grant moneys, including  
32    small cities, education, and health and welfare block grants.

33    (C) The targeting of economic development grants and loan  
34    moneys, including grant and loan moneys provided by the federal  
35    Urban Development Action Grant program and the federal  
36    Economic Development Administration.

37    (D) The targeting of state and federal job disadvantaged and  
38    vocational education grant moneys, including moneys provided  
39    by the federal Job Training Partnership Act of 1982 (Public Law  
40    97-300).

1 (E) The targeting of federal or state transportation grant  
2 moneys.

3 (F) The targeting of federal or state low-income housing and  
4 rental assistance moneys.

5 (G) The use of tax allocation bonds, special assessment bonds,  
6 bonds under the Mello-Roos Community Facilities Act of 1982  
7 (Chapter 2.5 (commencing with Section 53311) of Part 1 of  
8 Division 2 of Title 5), industrial development bonds, revenue  
9 bonds, private activity bonds, housing bonds, bonds issued  
10 pursuant to the Marks-Roos Local Bond Pooling Act of 1985  
11 (Article 4 (commencing with Section 6584) of Chapter 5),  
12 certificates of participation, hospital bonds, redevelopment  
13 bonds, school bonds, and all special provisions provided for  
14 under federal tax law for enterprise community or empowerment  
15 zone bonds.

16 (5) In the process of designating new enterprise zones, the  
17 department shall take into consideration the location of existing  
18 zones and make every effort to locate new zones in a manner that  
19 will not adversely affect any existing zones.

20 (6) In designating new enterprise zones, the department shall  
21 include in its criteria the fact that jurisdictions have been  
22 declared disaster areas by the President of the United States  
23 within the last seven years.

24 (7) When reviewing and ranking new enterprise zone  
25 applications, the department shall give special consideration or  
26 bonus points, or both, to applications from jurisdictions that meet  
27 at least two of the following criteria:

28 (A) The percentage of households within the census tracts of  
29 the proposed enterprise zone area, the income of which is below  
30 the poverty level, is at least 17.5 percent.

31 (B) The average unemployment rate for the census tracts of  
32 the proposed enterprise zone area was not less than five  
33 percentage points above the statewide average for the most recent  
34 calendar year as determined by the Employment Development  
35 Department.

36 (C) The applicant jurisdiction has, and can document that it  
37 has, a unique distress factor affecting long-term economic  
38 development, including, but not limited to, resource depletion,  
39 plant closure, industry recession, natural disaster, or military base  
40 closure.

1 (c) In evaluating applications for designation, the department  
2 shall ensure that applications are not disqualified solely because  
3 of technical deficiencies, and shall provide applicants with an  
4 opportunity to correct the deficiencies. Applications shall be  
5 disqualified if the deficiencies are not corrected within two  
6 weeks.

7 (d) (1) Except as provided in paragraph (2), or upon  
8 dedesignation pursuant to subdivision (c) of Section 7076.1 or  
9 Section 7076.2, a designation made by the department shall be  
10 binding for a period of 15 years from the date of the original  
11 designation.

12 (2) The designation period for any zone designated pursuant to  
13 either Section 7073 or 7085 prior to 1990 may total 20 years,  
14 subject to possible dedesignation pursuant to subdivision (c) of  
15 Section 7076.1 or Section 7076.2, if the following requirements  
16 are met:

17 (A) The zone receives a superior or passing audit pursuant to  
18 subdivision (c) of Section 7076.1.

19 (B) The local jurisdictions comprising the zone submit an  
20 updated economic development plan to the department justifying  
21 the need for an additional five years by defining goals and  
22 objectives that still need to be achieved and indicating what  
23 actions are to be taken to achieve these goals and objectives.

24 (e) (1) Notwithstanding any other provision of law, any area  
25 designated as an enterprise zone pursuant to Chapter 12.8  
26 (commencing with Section 7070) as it read prior to January 1,  
27 1997, or as a targeted economic development area, neighborhood  
28 economic development area, or program area pursuant to Chapter  
29 12.9 (commencing with Section 7080) as it read prior to January  
30 1, 1997, or any program area or part of a program area deemed  
31 designated as an enterprise zone pursuant to Section 7085.5 as it  
32 read prior to January 1, 1997, shall be deemed to be designated  
33 as an enterprise zone pursuant to this chapter. The effective date  
34 of designation of the enterprise zone shall be that of the original  
35 designation of the enterprise zone pursuant to Chapter 12.8  
36 (commencing with Section 7070) as it read prior to January 1,  
37 1997, or of the program area pursuant to Chapter 12.9  
38 (commencing with Section 7080) as it read prior to January 1,  
39 1997, and in no event may the total designation period exceed 15  
40 years, except as provided in paragraph (2) of subdivision (d).



(2) Notwithstanding any other provision of law, any enterprise zone authorized, but not designated, pursuant to Chapter 12.8 (commencing with Section 7070) as it read prior to January 1, 1997, shall be allowed to complete the application process started pursuant to that chapter, and to receive final designation as an enterprise zone pursuant to this chapter.

(3) Notwithstanding any other provision of law, any expansion of a designated enterprise zone or program area authorized pursuant to Chapter 12.8 (commencing with Section 7070) as it read prior to January 1, 1997, or Chapter 12.9 (commencing with Section 7080) as it read prior to January 1, 1997, shall be deemed to be authorized as an expansion for a designated enterprise zone pursuant to this chapter.

(4) No part of this chapter may be construed to require a new application for designation by an enterprise zone designated pursuant to Chapter 12.8 (commencing with Section 7070) as it read prior to January 1, 1997, or a targeted economic development area, neighborhood economic development area, or program area designated pursuant to Chapter 12.9 (commencing with Section 7080) as it read prior to January 1, 1997.

(f) Notwithstanding any other provision of law, a city, county, or a city and county may designate a joint powers authority to administer the enterprise zone.

~~(g) No more than 42 enterprise zones may be designated at any one time pursuant to this chapter, including those deemed designated pursuant to subdivision (e). Upon the expiration or termination of a designation, the department is authorized to designate another enterprise zone to maintain a total of 42 enterprise zones. This section shall only apply to enterprise zone applications for which the department has issued a solicitation for new enterprise zone designations prior to January 1, 2007.~~

SEC. 3. Section 7073.1 is added to the Government Code, to read:

7073.1. (a) Except as provided in subdivision (e), any city, county, or city and county with an eligible area within its jurisdiction may complete a preliminary application for designation as an enterprise zone. The applying entity shall establish definitive boundaries for the proposed enterprise zone and the targeted employment area. An entity may propose zones in areas with noncontiguous boundaries, and the department may

1 *designate those areas as zones if the director determines both of*  
2 *the following:*

3 *(1) The noncontiguous area is needed to implement the*  
4 *applicant's economic development strategy.*

5 *(2) The excluded area between the proposed zone boundaries*  
6 *would not, based on the proposed economic strategy, also benefit*  
7 *from the zone designation.*

8 *(b) (1) In designating enterprise zones, the department shall*  
9 *select from the applications submitted those proposed enterprise*  
10 *zones that, upon a comparison of all of the applications*  
11 *submitted, indicate that they propose the most appropriate*  
12 *economic development strategy and implementation plan*  
13 *utilizing state and local programs and incentives to create jobs,*  
14 *attract private sector investment, and improve the economic*  
15 *conditions within the zone proposed. The department shall*  
16 *prescribe a format that promotes succinct and focused strategies*  
17 *and plans, and set minimum standards for the strategies and*  
18 *plans. For the purposes of this subdivision, important elements of*  
19 *a strategy or plan may include, but are not limited to, all of the*  
20 *following:*

21 *(A) An assessment of current financial and community*  
22 *development strengths, needs, and opportunities.*

23 *(B) A framework for investment of time, action, and money.*

24 *(C) Clear articulation of goals.*

25 *(D) Measurable objectives, including targets.*

26 *(E) Proposed implementation activities and tasks, including*  
27 *timeframes, and a framework for evaluating performance,*  
28 *including qualitative and quantitative benchmarks.*

29 *(2) For purposes of this subdivision, local incentives may*  
30 *include, but are not limited to, all of the following:*

31 *(A) The suspension or relaxation of locally originated or*  
32 *modified building codes, zoning laws, general development*  
33 *plans, or rent controls.*

34 *(B) The elimination or reduction of fees for applications,*  
35 *permits, and local government services.*

36 *(C) The establishment of a streamlined permit process.*

37 *(D) Elimination or reduction of construction taxes or business*  
38 *license taxes.*

39 *(E) The provision or expansion of infrastructure.*

1     (F) *The targeting of federal block grant moneys, including*  
2 *small cities, education, and health and welfare block grants.*

3     (G) *The targeting of economic development grants and loan*  
4 *moneys, including grant and loan moneys provided by the United*  
5 *States Department of Housing and Urban Development.*

6     (H) *The targeting of state and federal job disadvantaged and*  
7 *vocational education grant moneys, including moneys provided*  
8 *by the federal Workforce Investment Act of 1998 (Public Law*  
9 *105-220), or its successor.*

10    (I) *The targeting of federal or state transportation grant*  
11 *moneys.*

12    (J) *The targeting of federal or state low-income housing and*  
13 *rental assistance moneys.*

14    (K) *The use of tax allocation bonds, special assessment bonds,*  
15 *bonds under the Mello-Roos Community Facilities Act of 1982*  
16 *(Chapter 2.5 (commencing with Section 53311) of Part 1 of*  
17 *Division 2 of Title 5), industrial development bonds, revenue*  
18 *bonds, private activity bonds, housing bonds, bonds issued*  
19 *pursuant to the Marks-Roos Local Bond Pooling Act of 1985*  
20 *(Article 4 (commencing with Section 6584) of Chapter 5),*  
21 *certificates of participation, hospital bonds, redevelopment*  
22 *bonds, school bonds, and all special provisions provided for*  
23 *under federal tax law for enterprise community or empowerment*  
24 *zone bonds.*

25    (3) *When designating new enterprise zones, the department*  
26 *shall take into consideration the location of existing zones and*  
27 *make every effort to locate new zones in a manner that will not*  
28 *adversely affect any existing zones.*

29    (4) *When reviewing and ranking new enterprise zone*  
30 *applications, the department shall give bonus points to*  
31 *applications from jurisdictions that meet minimum threshold*  
32 *points and at least two of the following criteria:*

33    (A) *The percentage of households within the census tracts of*  
34 *the proposed enterprise zone area, the income of which is below*  
35 *the poverty level, is at least 17.5 percent.*

36    (B) *The average unemployment rate for the census tracts of*  
37 *the proposed enterprise zone area was not less than five*  
38 *percentage points above the statewide average for the most*  
39 *recent calendar year as determined by the Employment*  
40 *Development Department.*

1     (C) *The applicant jurisdiction has, and can document that it*  
2 *has, a unique distress factor affecting long-term economic*  
3 *development, including, but not limited to, resource depletion,*  
4 *plant closure, industry recession, natural disaster, or military*  
5 *base closure.*

6     (5) *Except as modified pursuant to paragraph (4),*  
7 *applications shall be ranked by the appropriateness of the*  
8 *economic development strategy and implementation plan,*  
9 *including all of the following:*

10    (A) *The extent the strategy clearly identifies the local*  
11 *resources, incentives, and programs that will be made available*  
12 *to the zone for meeting its goals and objectives.*

13    (B) *The extent the strategy provides for attracting private*  
14 *sector investment.*

15    (C) *The extent the strategy includes related regional and*  
16 *community-based partnerships for achieving the goals and*  
17 *objectives in the strategy.*

18    (D) *The extent the strategy fits within the jurisdiction's overall*  
19 *economic development strategy, including the extent the strategy*  
20 *and implementation plan is appropriate for the local community.*

21    (E) *The extent the strategy addresses the hiring and retention*  
22 *of unemployed or underemployed residents or low-income*  
23 *individuals in the proposed zone and surrounding areas.*

24    (F) *The extent the strategy sets reasonable and measurable*  
25 *benchmarks, goals, and objectives.*

26    (G) *The extent the strategy sets forth an appropriate funding*  
27 *schedule for management, oversight, and program delivery*  
28 *within the zone relative to the benchmarks, goals, and objectives*  
29 *in the strategy.*

30    (H) *The extent that the economic development strategy has a*  
31 *comprehensive incentive package for attracting private*  
32 *investment to the enterprise zone.*

33    (c) *In evaluating applications for designation, the department*  
34 *shall ensure that applications are not disqualified solely because*  
35 *of technical deficiencies, and shall provide applicants with an*  
36 *opportunity to correct the deficiencies. Applications shall be*  
37 *disqualified if the deficiencies are not corrected within two*  
38 *weeks.*

39    (d) *Except upon dedesignation pursuant to subdivision (c) of*  
40 *Section 7076.1, Section 7076.2, or Section 7085.1, a designation*

1 *made by the department shall be binding for a period of 15 years*  
2 *from the date of the original designation.*

3 *(e) This section shall only apply to enterprise zone*  
4 *applications for which the department has issued a solicitation*  
5 *for new enterprise zone designations on or after January 1, 2007.*

6 *SEC. 4. Section 7073.8 of the Government Code is amended*  
7 *to read:*

8 7073.8. (a) The department shall designate up to two  
9 Manufacturing Enhancement Areas, ~~as defined by Section~~  
10 ~~17053.47 of the Revenue and Taxation Code~~, requested by the  
11 governing boards of cities each of which shall meet at least the  
12 following criteria:

13 (1) The unemployment rate in the county in which the  
14 applicant is located has been at least three times the state average  
15 from 1990 to 1995, inclusive.

16 (2) The applicant city is, or portions of the city are, designated  
17 a federal enterprise community or empowerment zone pursuant  
18 to Subchapter U (commencing with Section 1391) of Chapter 1  
19 of Subtitle A of Title 26 of the United States Code.

20 (3) The applicant city is located in a Border Environment  
21 Cooperation Commission region as specified in Section 3473 of  
22 Title 19 of the United States Code.

23 (4) At least one of the following:

24 (A) The designated area has grown by less than 5 percent in  
25 population per year for each of the two years preceding the  
26 application date.

27 (B) The median household income for the designated area is  
28 under twenty-five thousand dollars (\$25,000) per year.

29 (C) The designated area has a population of under 20,000  
30 persons according to the 1990 federal census.

31 (D) The designated area is located in a rural community.

32 (5) An audit of the program shall be made ~~at the end of the 5th~~  
33 ~~and 10th year of its operation pursuant to Section 7076.1~~ by the  
34 department with the cooperation of the local governing board.  
35 The audit shall be used to determine how effective the  
36 designation has been in attracting manufacturing facilities and  
37 creating new employment opportunities. Continuation of the  
38 designation is contingent on evidence of success of the program.

39 (b) For purposes of applying any provision of the Revenue and  
40 Taxation Code, any Manufacturing Enhancement Area

1 designated pursuant to this section shall not be considered an  
2 enterprise zone designated pursuant to this chapter.

3 (c) The designation as a Manufacturing Enhancement Area  
4 pursuant to this section shall be binding for a period of 15 years,  
5 commencing January 1, 1998.

6 *SEC. 5. Section 7074 of the Government Code is amended to*  
7 *read:*

8 7074. (a) In the case of any enterprise zone, including an  
9 enterprise zone formerly designated as an enterprise zone  
10 pursuant to Chapter 12.8 (commencing with Section 7070) as it  
11 read prior to January 1, 1997, or as a program area pursuant to  
12 Chapter 12.9 (commencing with Section 7080) as it read prior to  
13 January 1, 1997, a city, county, or city and county may propose  
14 that the enterprise zone be expanded by 15 percent to include  
15 definitive boundaries that are contiguous to the enterprise zone.

16 (b) The department may approve an enterprise zone expansion  
17 proposed pursuant to this section based on the following criteria:

18 (1) Each of the adjacent jurisdictions' governing bodies  
19 approves the expansion by adoption of an ordinance or  
20 resolution.

21 (2) Land included within the proposed expansion is zoned for  
22 industrial or commercial use.

23 (3) Basic infrastructure, including, but not limited to, gas,  
24 water, electrical service, and sewer systems, is available to the  
25 area that would be included in the expansion.

26 (c) ~~An enterprise zone~~ A city, county, or city and county may  
27 propose to use an eligible expansion allotment to expand into an  
28 adjacent jurisdiction pursuant to this section if the department  
29 finds that all of the following conditions exist:

30 (1) The governing body of the local agency with jurisdiction  
31 over the existing enterprise zone and the governing body of the  
32 local agency with jurisdiction over the proposed expansion area  
33 each approve the expansion by adoption of an ordinance or  
34 resolution. The ordinance or resolution by the jurisdiction  
35 containing the proposed expansion area shall indicate that the  
36 jurisdiction will provide the same or equivalent local incentives  
37 as provided by the jurisdiction of the existing enterprise zone.

38 (2) (A) Land included within the proposed expansion is zoned  
39 for industrial or commercial use.

1 (B) An expansion area may contain noncommercial or  
2 nonindustrial land only if that land is a right-of-way and is  
3 needed to meet the requirement for a contiguous expansion  
4 between an existing enterprise zone and a proposed expansion  
5 area.

6 (3) Basic infrastructure, including, but not limited to, gas,  
7 water, electrical service, and sewer systems, is available to the  
8 area that would be included in the expansion.

9 (4) The expansion area is contiguous to the existing enterprise  
10 zone.

11 (d) (1) Except as otherwise provided in paragraph (2), in no  
12 event shall an enterprise zone be permitted to expand more than  
13 15 percent in size from its size on the date of original  
14 designation, including any expansion authorized pursuant to  
15 Chapter 12.8 (commencing with Section 7070), or Chapter 12.9  
16 (commencing with Section 7080), as those chapters read prior to  
17 January 1, 1997.

18 (2) If an enterprise zone, on the date of original designation, is  
19 no greater than 13 square miles, it may be permitted to expand up  
20 to 20 percent in size from its size on the date of original  
21 designation.

22 (e) *A city, county, or city and county may propose expansion*  
23 *into a noncontiguous area if the department finds both of the*  
24 *following:*

25 (1) *The noncontiguous area is needed to implement the*  
26 *enterprise zone's economic development strategy.*

27 (2) *The excluded areas between the proposed new boundaries*  
28 *would not, based on the enterprise zone's economic development*  
29 *strategy, also benefit from enterprise zone expansion.*

30 SEC. 6. *Section 7074.2 is added to the Government Code, to*  
31 *read:*

32 7074.2. (a) *Notwithstanding any other provision of law, a*  
33 *city, county, or a city and county may designate a joint powers*  
34 *authority to administer an enterprise zone.*

35 (b) *No more than 42 enterprise zones may be designated at*  
36 *any one time pursuant to this chapter, including those deemed*  
37 *designated pursuant to subdivision (e) of Section 7073. Upon the*  
38 *expiration or termination of a designation, the department may*  
39 *designate another enterprise zone to maintain a total of 42*  
40 *enterprise zones.*

1 (c) Notwithstanding any other provision of law, an expiring  
2 enterprise zone that applies for a new enterprise zone  
3 designation pursuant to Section 7073 or 7073.1, and receives a  
4 conditional designation letter from the department, may offer,  
5 and a taxpayer doing business within the geographic boundaries  
6 of the new zone referenced in the conditional designation letter  
7 shall be eligible to receive, all enterprise zone benefits until the  
8 department makes a final designation or declines to redesignate  
9 the zone. The department shall make the effective date of the new  
10 zone the date of expiration of the previous designation and the  
11 term of the new zone shall begin on that date.

12 SEC. 7. Section 7076.1 of the Government Code is amended  
13 to read:

14 7076.1. (a) The department may audit the program of any  
15 jurisdiction in any designated ~~zone~~ G-TEDA at any time during  
16 the duration of the designation, as appropriate, ~~or. However, the~~  
17 ~~department shall audit each G-TEDA~~ at least once every five  
18 years from the date of designation or the operative date of this  
19 section, whichever is the latest. The matters to be examined in  
20 the course of an audit shall include an examination of the  
21 progress made by the ~~zone~~ G-TEDA toward meeting the goals,  
22 objectives, and commitments set forth in its original application  
23 and the department's memorandum of understanding with the  
24 ~~zone~~ G-TEDA.

25 (b) The department shall, for each audit, determine a result of  
26 superior, pass, or fail in accordance with subdivision (c). The  
27 results of each audit shall be based upon the success of the ~~zone~~  
28 G-TEDA in making substantial and sustained efforts since the  
29 later of its designation or last audit to meet the standards, criteria,  
30 and conditions contained in the application and the memorandum  
31 of understanding (MOU) between the department and the ~~zone~~  
32 G-TEDA, as may be amended pursuant to the agreement of the  
33 ~~zone~~ G-TEDA and the department. In each audit, the department  
34 shall focus upon the ~~zone's~~ G-TEDA's use of the marketing plan,  
35 local incentives, financing programs, job development, and  
36 program management as described in the application and the  
37 MOU. The department shall also evaluate the vouchersing plan,  
38 ~~zone staff staffing~~ levels, ~~zone~~ budget, and elements unique to  
39 each application.



(c) For purposes of subdivision (b), an audit determination of superior, pass, or fail shall be made in accordance with the following:

(1) A ~~zone~~ *G-TEDA* will be determined to be superior if each jurisdiction comprising the ~~zone~~ *G-TEDA* does all of the following:

(A) Meets 100 percent of its goals, objectives, and commitments as defined in its application ~~or~~, most recent audit, *biennial report, and memorandum of understanding with the department*, and as determined by the department in consultation with the ~~zone~~ *G-TEDA*. An equivalent or similar commitment may be substituted for an existing commitment of a ~~zone~~ *G-TEDA* if it is determined by the department that an original commitment was not realistically practical or is no longer relevant.

(B) Demonstrates that it has reviewed and updated its goals, objectives, and commitments as defined in its original application ~~or~~, most recent audit, *biennial report, and memorandum of understanding with the department*.

(C) Identifies to the department's satisfaction that it has incorporated economic development commitments in addition to those commitments previously made in its application.

(2) (A) A ~~zone~~ *G-TEDA* will be determined to be passing if each jurisdiction comprising the ~~zone~~ *area* meets or exceeds 75 percent of its goals, objectives, or commitments as defined in its original application ~~or~~, *most recent audit, biennial report, and memorandum of understanding with the department*, and as determined by the department in consultation with the ~~zone~~ *G-TEDA*. An equivalent or similar commitment may be substituted for an existing commitment of a ~~zone~~ *G-TEDA* if it is determined by the department that an original commitment was not realistically practical or is no longer relevant.

(B) Any ~~zone~~ *G-TEDA* that is determined to be passing may appeal in writing to the department for a determination of superior. Only one appeal may be filed pursuant to this subparagraph with respect to a determination by the department, and may be filed no later than 30 days after the ~~zone's~~ *G-TEDA's* receipt of the determination to which the appeal pertains. The department shall respond in writing to any appeal that is properly

1 filed pursuant to this subparagraph within 60 days of the date of  
2 that filing.

3 (3) (A) A ~~zone~~ *G-TEDA* will be determined to be failing if  
4 any jurisdiction comprising the ~~zone~~ *G-TEDA* fails to meet or  
5 exceed 75 percent of its goals, objectives, or commitments as  
6 defined in its original application ~~or, most recent audit, biennial~~  
7 *report, and memorandum of understanding with the department,*  
8 and as determined by the department in consultation with the  
9 ~~zone~~ *G-TEDA*. An equivalent or similar commitment may be  
10 substituted for an existing commitment of a ~~zone~~ *G-TEDA* if it is  
11 determined by the department that an original commitment was  
12 not realistically practical or is no longer relevant.

13 (B) Any ~~zone~~ *G-TEDA* that is determined to be failing shall  
14 enter into a written agreement with the department that specifies  
15 those items that the ~~zone~~ *G-TEDA* is required to remedy or  
16 improve. Failure of the ~~zone~~ *G-TEDA* and the department to  
17 negotiate and enter into a written agreement as so described  
18 within 60 days of the last day upon which the department is  
19 required to deliver a response letter pursuant to subparagraph (C)  
20 shall result in the dedesignation of the ~~zone~~ *G-TEDA* on January  
21 1 immediately following the department's written notice of  
22 dedesignation to the ~~zone~~ *G-TEDA*. A written agreement entered  
23 into pursuant to this subparagraph shall be for a six-month  
24 period. If, upon the expiration of the agreement, the department  
25 determines that the ~~zone~~ *G-TEDA* has not met or implemented at  
26 least 75 percent of the conditions set forth in the agreement, the  
27 department shall, after immediately providing written notification  
28 to each jurisdiction comprising the ~~zone~~ *G-TEDA* that the ~~zone~~  
29 *G-TEDA* is to be dedesignated, dedesignate the ~~zone~~ *G-TEDA*  
30 effective on the first day of the month next following the date  
31 upon which the agreement expired. If, upon expiration of the  
32 agreement, the department determines that the ~~zone~~ *G-TEDA* has  
33 met or implemented at least 75 percent of the conditions set forth  
34 in the agreement, the department shall do either of the following:

35 (i) Allow the ~~zone~~ *G-TEDA* an additional year, or a longer  
36 period in the department's discretion, to meet or implement those  
37 conditions in their entirety.

38 (ii) Pursuant to written notice provided immediately to each  
39 jurisdiction that comprises the ~~zone~~ *G-TEDA* that the ~~zone~~  
40 *G-TEDA* is to be dedesignated, dedesignate the ~~zone~~ *G-TEDA*

effective on January 1 immediately following the date of the department's written notification of dedesignation to those jurisdictions.

Any business, located within any jurisdiction that comprises a ~~zone~~ *G-TEDA* that has been dedesignated, that has elected to avail itself of any state tax incentive specifically applicable to a ~~zone~~ *G-TEDA* for any taxable or income year beginning prior to the dedesignation of the ~~zone~~ *G-TEDA* may, to the extent the business is otherwise still eligible for those incentives, continue to avail itself of those incentives for a period equal to the remaining life of the ~~zone~~ *G-TEDA*. However, any business, located within any jurisdiction that comprises a ~~zone~~ *G-TEDA* that has been dedesignated, that has not availed itself of any state tax incentive in the manner described in the preceding sentence may not, after dedesignation of the ~~zone~~ *G-TEDA*, avail itself of any state incentive specifically applicable to a ~~zone~~ *G-TEDA*.

(4) (A) *Notwithstanding paragraphs (1) to (3), inclusive, a G-TEDA shall be determined to be failing if any jurisdiction comprising the G-TEDA, in the determination of the director, provides funding support in at least three of the previous five years at a level that is less than 75 percent of the amount committed to in the G-TEDA's memorandum of understanding with the department.*

(B) *In the event that a G-TEDA is determined to be failing pursuant to this paragraph, subparagraph (B) of paragraph (3) shall apply.*

(C) *Any G-TEDA that is determined to be failing pursuant to this paragraph may appeal in writing to the department. The appeal shall be filed within 30 days of the G-TEDA's receipt of the determination to which the appeal pertains. The department shall respond in writing to any appeal that is properly filed within 60 days of the date of filing.*

(d) (1) For purposes of this section, "dedesignation" means that a ~~zone~~ *G-TEDA* is no longer a ~~zone~~ *G-TEDA* for purposes of either Section 7073 or 7085.

(2) Upon notification by the department of the dedesignation of a ~~zone~~ *G-TEDA* and the end of the appeal period with respect to that dedesignation, the department shall initiate an application process for a new designation as provided in Section 7073, 7073.8, 7085, 7097, or 7114.

1     *SEC. 8. Section 7082.2 is added to the Government Code, to*  
2     *read:*

3     7082.2. *In the case of a G-TEDA being dedesignated*  
4     *pursuant to Section 7085.1, any business located within any*  
5     *jurisdiction that comprises a G-TEDA that has been*  
6     *dedesignated or within a jurisdiction that has excluded itself*  
7     *from a G-TEDA, that has elected to avail itself of any state tax*  
8     *incentive specifically applicable to a G-TEDA for any taxable or*  
9     *income year beginning prior to the dedesignation of the G-TEDA*  
10    *or the exclusion of a jurisdiction comprising the G-TEDA may, to*  
11    *the extent the business is still otherwise eligible for those*  
12    *incentives, continue to avail itself of those incentives for a period*  
13    *equal to the remaining life of the G-TEDA. However, any*  
14    *business located within any jurisdiction that comprises a*  
15    *G-TEDA that has been dedesignated or within a jurisdiction that*  
16    *has excluded itself from a G-TEDA, that has not availed itself of*  
17    *any state tax incentive in the manner described in the preceding*  
18    *sentence may not, after dedesignation of the G-TEDA, avail itself*  
19    *of any state incentive specifically applicable to a G-TEDA.*

20    *SEC. 9 Section 7085.1 is added to the Government Code, to*  
21    *read:*

22    7085.1. (a) *The governing board of the G-TEDA shall report*  
23    *to the department by October 1, 2008, and by that date every*  
24    *other year thereafter, on the activities of the G-TEDA in the*  
25    *previous two fiscal years and its plans for the current and*  
26    *following fiscal year. The biennial report shall include at least*  
27    *both of the following:*

28    (1) *The progress the G-TEDA has made during the period*  
29    *covered by the report relative to its goals, objectives, and*  
30    *commitments set forth in its original application and the*  
31    *department's memorandum of understanding with the G-TEDA.*

32    (2) *Identification of the previous two year's funding, including*  
33    *in-kind funding. The previous two year's funding levels shall be*  
34    *compared to the funding levels identified in its original*  
35    *application and the department's memorandum of understanding*  
36    *with the G-TEDA, and the amount identified in the previous*  
37    *year's biennial report. An explanation of any meaningful*  
38    *discrepancies in these amounts shall be provided.*

39    (b) *A copy of the biennial report developed pursuant to*  
40    *subdivision (a) shall also be submitted to the legislative bodies of*

1 *the local jurisdictions comprising the G-TEDA. The progress of*  
2 *the G-TEDA in meeting the goals, objectives, and commitments*  
3 *set forth in the original application and the memorandum of*  
4 *understanding with the department shall be reviewed at least*  
5 *biennially by these legislative bodies, either as part of the*  
6 *approval of the G-TEDA's annual work plan or separately, at the*  
7 *discretion of the legislative body.*

8 *(c) (1) G-TEDAs designated prior to January 1, 2007, shall*  
9 *have until April 15, 2008, to update their benchmarks, goals,*  
10 *objectives, and funding levels for administering the G-TEDA*  
11 *program, in order to make them measurable and conducive to the*  
12 *successful completion of the economic development strategy. The*  
13 *local legislative body and the department shall approve the*  
14 *updated goals and objectives. The updated goals and objectives*  
15 *shall be included as an update to the existing memorandum of*  
16 *understanding between the G-TEDA and the department.*

17 *(2) G-TEDAs that fail to obtain approved updated goals and*  
18 *objectives by April 15, 2008, shall be dedesignated effective July*  
19 *1, 2008. The Director of Housing and Community Development*  
20 *shall provide notice of prospective dedesignation to the local*  
21 *government no later than May 1, 2008. The director may*  
22 *authorize up to two 60-calendar day extensions, if the local*  
23 *government and G-TEDA are acting in good faith and the*  
24 *additional time would allow them to meet the requirements of*  
25 *this subdivision. Businesses located within a G-TEDA that have*  
26 *been dedesignated shall continue to have access to tax incentives*  
27 *previously authorized within the G-TEDA pursuant to Section*  
28 *7082.2.*

29 *(3) G-TEDAs designated prior to January 1, 2007, are not*  
30 *required to implement the biennial reporting requirements of*  
31 *subdivisions (a) and (b) until October 1, 2009.*

32 *(4) G-TEDAs that expire prior to January 1, 2010, are not*  
33 *required to meet the conditions of this subdivision.*

34 *(d) The department shall biennially make available to the*  
35 *Legislature information related to the progress that each*  
36 *G-TEDA is making toward implementing its goals, objectives,*  
37 *and commitments set forth in the original application, the*  
38 *department's memorandum of understating with the G-TEDA,*  
39 *and the biennial report.*

1     *SEC. 10. Section 7097 of the Government Code is amended to*  
2     *read:*

3     7097. (a) The Department of Housing and Community  
4     Development shall rank applicant communities and shall  
5     designate the first ranking community whose governing body is  
6     applying as a community to be designated as a targeted tax area  
7     which meets at least four of the five following criteria:

8     (1) The average unemployment rate in the applicant  
9     community exceeded 7.5 percent in 1995.

10    (2) The average unemployment rate in the applicant  
11    community exceeded 7.5 percent in 1996.

12    (3) The median family income in the applicant community  
13    does not exceed thirty-two thousand seven hundred dollars  
14    (\$32,700).

15    (4) The percentage of persons in the applicant community  
16    below the poverty level is at least 17.5 percent.

17    (5) The applicant community ranks in the top quartile, among  
18    California counties, in the percentage of population receiving Aid  
19    for Families with Dependent Children benefits, based on the  
20    Cash Grant Caseload Movement and Expenditures Report, July  
21    1995 to June 1996.

22    (b) For purposes of applying any provision of the Revenue and  
23    Taxation Code, any targeted tax area designated pursuant to this  
24    section shall not be considered an enterprise zone designated  
25    pursuant to Chapter 12.8 (commencing with Section 7070).

26    (c) Except as provided in subdivision (e), the designation as a  
27    targeted tax area pursuant to this section shall be binding for a  
28    period of 15 years, commencing January 1, 1998.

29    (d) Only one targeted tax area shall be designated by the  
30    department, and a renewed or replacement designation shall not  
31    be made after the initial designation expires or is revoked.

32    (e) An audit of the program's operation shall be made by the  
33    department *pursuant to Section 7076.1*, on a periodic basis with  
34    the cooperation of the local governing board. If the department  
35    determines that the local jurisdiction is not complying with the  
36    terms of the memorandum of understanding, the department shall  
37    provide written notice of the program deficiencies and the  
38    governing body shall be given six months to correct the  
39    deficiencies. If the deficiencies are not corrected, the designation  
40    shall be revoked.

1 (f) A county and any cities within the county may apply  
2 jointly as a community if the combination of the jurisdictions  
3 meets the criteria.

4 *SEC. 11. Section 7099 of the Government Code is amended to*  
5 *read:*

6 7099. (a) The Department of Housing and Community  
7 Development may approve a proposed expansion of a targeted  
8 tax area subject to the following conditions:

9 (1) The governing body of each city and county in which the  
10 targeted tax area is located approves an ordinance or resolution  
11 approving the proposed expansion of the area.

12 (2) The department determines that the proposed additional  
13 territory meets the criteria specified in subdivision (a) of Section  
14 7097 to the same extent as the existing territory of the targeted  
15 tax area.

16 (3) The proposed expansion, in combination with any previous  
17 expansions of the targeted tax area, does not exceed 15 percent of  
18 the size of the area on the date of its original designation.

19 (4) The expansion area is contiguous to the targeted tax area,  
20 *except that it may be noncontiguous to the extent that it meets the*  
21 *criteria established in subdivision (e) of Section 7074.*

22 (5) The expansion meets the criteria established in paragraphs  
23 (1), (2), and (3) of subdivision (b) of Section 7074.

24 (b) The department shall respond in writing to any application  
25 for a proposed expansion of the targeted tax area within 90 days  
26 of the date on which the application is deemed complete.

27 *SEC. 12. Section 7116 of the Government Code is amended to*  
28 *read:*

29 7116. (a) A local agency military base recovery area  
30 governing body shall provide information at the request of the  
31 department as necessary for the department to prepare the report  
32 required pursuant to Section 7115.

33 (b) A local agency military base recovery area governing body  
34 shall provide information at the request of the department as  
35 necessary for the department to determine whether the governing  
36 body is complying with the terms of the approved application.

37 (c) If the department determines that a local agency military  
38 base recovery area governing body is not complying with the  
39 terms of the approved application for designation, the department  
40 shall provide written notice of the program deficiencies and the

1 governing body shall be given six months to correct the  
2 deficiencies.

3 (d) The department shall revoke the designation of a local  
4 agency military base recovery area if the department determines  
5 that the governing body granted the designation has not complied  
6 with the terms of the approved application for designation within  
7 six months after written notice pursuant to subdivision (c), and  
8 shall not be considered a local agency military base recovery area  
9 until the deficiencies are corrected.

10 (e) Any companies located in the local agency military base  
11 recovery area shall not be penalized during any period of  
12 revocation and may continue to operate with incentives provided  
13 pursuant to this chapter.

14 (f) *An audit of the program shall be made by the department*  
15 *pursuant to Section 7076.1 with the cooperation of the governing*  
16 *body to determine the effectiveness of the program under this*  
17 *chapter.*

18 *SEC. 13. This act is an urgency statute necessary for the*  
19 *immediate preservation of the public peace, health, or safety*  
20 *within the meaning of Article IV of the Constitution and shall go*  
21 *into immediate effect. The facts constituting the necessity are:*

22 *In order to implement at the earliest possible time the*  
23 *improvements to the economic development programs set forth in*  
24 *act, which were developed pursuant to extensive legislative*  
25 *oversight hearings, it is necessary for this act to take effect*  
26 *immediately. .*

27 ~~SECTION 1. Section 14504 of the Government Code is~~  
28 ~~amended to read:~~

29 ~~14504. (a) In appointing members, the Governor shall make~~  
30 ~~every effort to assure that there is a geographic balance of~~  
31 ~~representation on the commission as a whole, with members~~  
32 ~~from the northern, and southern areas, from the coastal and~~  
33 ~~inland areas, and from the urban and rural areas of the state.~~

34 ~~(b) Each member of the commission shall represent the state at~~  
35 ~~large.~~