

AMENDED IN SENATE JUNE 28, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 1411

**Introduced by ~~Committee on Jobs, Economic Development, and the Economy (V. Manuel Pérez (Chair), Beall, Block, and Hueso)~~
Assembly Member V. Manuel Pérez
(Principal coauthor: Senator DeSaulnier)**

March 10, 2011

~~An act to amend Sections 7076.1 and 7085.1 of, and to repeal Section 7085 of, the Government Code, relating to economic development. An act to amend Sections 7071, 7072, 7073.1, 7076, 7076.1, 7081, 7085, 7085.1, and 7085.5 of the Government Code, relating to economic development.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1411, as amended, ~~Committee on Jobs, Economic Development, and the Economy V. Manuel Pérez~~. Economic development: ~~omnibus bill~~; enterprise zones.

The Enterprise Zone Act provides for the designation and oversight by the Department of Housing and Community Development of various types of economic development areas throughout the state, including enterprise zones, targeted tax areas, local agency military base recovery areas (LAMBRA), and Manufacturing Enhancement Areas, collectively known as geographically targeted economic development areas, or G-TEDAs. Pursuant to these provisions, qualifying entities in those areas may receive certain tax and regulatory incentives.

This bill would revise various definitions for purposes of the act and modify specified requirements for designating and administering enterprise zones, LAMBRA, and G-TEDAs collectively. The bill would

impose new requirements on the Department of Housing and Community Development with respect to the enterprise zone program and modify department and Franchise Tax Board reporting requirements.

~~(1) Existing law requires the Department of Housing and Community Development to submit a report to the Legislature every 5 years evaluating specified effects of enterprise zones.~~

~~This bill would repeal, recast, and make various changes to these provisions:~~

~~(2) Existing law requires a geographically targeted economic development area (G-TEDA) to report to the Department of Housing and Community Development every 2 years on progress made toward its existing goals and objectives and plans for the following 2-year period. Existing law also requires that a copy of this biennial report be submitted to the legislative bodies of the local jurisdictions comprising the G-TEDA for review.~~

~~This bill would delete the requirement that this report be submitted to the legislative bodies of the local jurisdictions comprising the G-TEDA.~~

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. Section 7071 of the Government Code is amended
2 to read:

3 7071. The Legislature finds and declares as follows:

4 (a) The health, safety, and welfare of the people of California
5 depend upon the development, stability, and expansion of private
6 business, industry, and commerce, and there are certain areas within
7 the state that are economically depressed due to a lack of
8 investment in the private sector. Therefore, it is declared to be the
9 purpose of this chapter to *help stabilize local communities, alleviate*
10 *poverty, and enhance the state's economic prosperity through the*
11 *implementation of public and privately funded programs and*
12 *services that stimulate business and industrial growth in the*
13 *depressed areas of the state by relaxing regulatory controls that*
14 *impede private investment.*

15 (b) *The geographically targeted economic development area*
16 *(G-TEDA) programs are based on the economic principle that*
17 *targeting significant incentives to lower income communities allows*

1 *these communities to more effectively compete for new businesses*
2 *and retain existing businesses, which results in increased tax*
3 *revenues, less reliance on social services, and lower public safety*
4 *costs. Residents and businesses also directly benefit from these*
5 *more sustainable economic conditions through improved*
6 *neighborhoods, business expansion, and job creation.*

7 ~~(b) It~~

8 (c) *Therefore, it is in the economic interest of the state to have*
9 *one strong, combined, and ~~business-friendly~~ business- and*
10 *community development-friendly incentive program to help attract*
11 *business and industry to the state, to help retain and expand existing*
12 *state business and industry, and to create increased job*
13 *opportunities for all Californians.*

14 ~~(e) No enterprise zone shall be designated in which any~~
15 ~~boundary thereof is drawn in a manner so as to include larger stable~~
16 ~~businesses or heavily residential areas to the detriment of areas~~
17 ~~that are truly economically depressed.~~

18 (d) ~~Nothing in this~~ *This chapter shall not be construed to infringe*
19 *upon regulations relating to the civil rights, equal employment*
20 *rights, equal opportunity rights, or fair housing rights of any person.*

21 *SEC. 2. Section 7072 of the Government Code is amended to*
22 *read:*

23 7072. For purposes of this chapter, the following definitions
24 shall apply:

25 (a) “Department” means the Department of Housing and
26 Community Development.

27 (b) “Date of original designation” means the earlier of the
28 following:

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

31 (2) In the case of an enterprise zone deemed designated pursuant
32 to subdivision (e) of Section 7073, the date the enterprise zone or
33 program area received original designation by the former Trade
34 and Commerce Agency pursuant to Chapter 12.8 (commencing
35 with Section 7070) or Chapter 12.9 (commencing with Section
36 7080), as those chapters read prior to January 1, 1997.

37 (c) “Eligible area” means any of the following:

38 (1) (A) An area designated as an enterprise zone pursuant to
39 Chapter 12.8 (commencing with Section 7070), as it read prior to
40 January 1, 1997, or as a targeted economic development area,

1 neighborhood development area, or program area pursuant to
2 Chapter 12.9 (commencing with Section 7080), as it read prior to
3 January 1, 1997.

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

6 ~~(A) The proposed geographic area meets the Urban Development~~
7 ~~Action Grant criteria of the United States Department of Housing~~
8 ~~and Urban Development.~~

9 ~~(B) The area within the proposed eligible area has experienced~~
10 ~~plant closures within the past two years affecting more than 100~~
11 ~~workers.~~

12 ~~(C) The city or county has submitted material to the department~~
13 ~~for a finding that the proposed geographic area meets criteria of~~
14 ~~economic distress related to those used in determining eligibility~~
15 ~~under the Urban Development Action Grant Program and is~~
16 ~~therefore an eligible area.~~

17 ~~(D) The area within the proposed zone has a history of~~
18 ~~gang-related activity, whether or not crimes of violence have been~~
19 ~~committed.~~

20 ~~(3) A geographic area that meets at least two of the following~~
21 ~~criteria:~~

22 ~~(B) A geographic area within census tracts of the proposed~~
23 ~~eligible area with a median household income for a family of four~~
24 ~~that does not exceed 80 percent of the statewide median income~~
25 ~~for the most recently available calendar year, as well as meeting~~
26 ~~at least one of the following criteria:~~

27 ~~(A)~~

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

32 ~~(B)~~

33 ~~(ii) The county of census tracts for the proposed eligible area~~
34 ~~has are served by public schools that have more than 70 percent~~
35 ~~of the children enrolled in public school participating in the federal~~
36 ~~free lunch program.~~

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

1 (iii) *The area within the proposed zone has experienced*
2 *significant distress factors, as defined by the department, including,*
3 *but not limited to, a history of significant gang-related activity,*
4 *high crime rates, or a significant number of plant or business*
5 *closures, or all of these.*

6 (2) *The amendments made to this subdivision during the 2011*
7 *portion of the 2011–12 Regular Session shall apply only to requests*
8 *for proposals issued on or after January 1, 2012.*

9 (d) “Enterprise zone” means any area within a city, county, or
10 city and county that is designated as an enterprise zone by the
11 department in accordance with ~~Section~~ *Sections 7073 and 7073.3*
12 *that include an eligible area and a qualifying commercial or*
13 *industrial area, or both, as defined by the department.*

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

16 (f) “G-TEDA” means a geographically targeted economic
17 development area, which is an area designated as an enterprise
18 zone, ~~a Manufacturing Enhancement Area, a targeted tax area,~~ or
19 a local agency military base recovery area.

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

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

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

1 city, county, or city and county. The governing body of each city,
2 county, or city and county that has jurisdiction of the enterprise
3 zone shall identify those census tracts whose residents are in the
4 most need of this employment targeting. Only those census tracts
5 within the jurisdiction of the city, county, or city and county that
6 has jurisdiction of the enterprise zone may be included in a targeted
7 employment area.

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

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

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

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

1 enterprise zones that expire on or prior to December 31, 2008,
2 shall be exempt from the update requirement.

3 *SEC. 3. Section 7073.1 of the Government Code is amended*
4 *to read:*

5 7073.1. (a) Except as provided in subdivision-(e) (e), any city,
6 county, or city and county with an eligible area within its
7 jurisdiction may complete a preliminary application for designation
8 as an enterprise zone. The applying entity shall establish definitive
9 boundaries for the proposed enterprise zone and the targeted
10 employment area. An entity may propose zones in areas with
11 noncontiguous boundaries, and the department may designate those
12 areas as zones if the director determines both of the following:

13 (1) The noncontiguous area is needed to implement the
14 applicant's economic development strategy.

15 (2) The excluded area between the proposed zone boundaries
16 would not, based on the proposed economic strategy, also benefit
17 from the zone designation.

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

30 (A) An assessment of current financial and community
31 development strengths, needs, and opportunities.

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

33 (C) Clear articulation of goals.

34 (D) Measurable objectives, including targets.

35 (E) Proposed implementation activities and tasks, including
36 timeframes, and a framework for evaluating performance, including
37 qualitative and quantitative benchmarks.

38 (F) *An identification of local resources, including incentives,*
39 *the jurisdiction will utilize to implement the strategy or plan and*
40 *how those resources will help to leverage or maximize the benefit*

1 *of state resources that become available for enterprise zone*
2 *communities.*

3 (2) For purposes of this subdivision, ~~local incentives~~ *resources*
4 *may include, but are not limited to, all of the following:*

5 (A) The suspension or relaxation of locally originated or
6 modified building codes, zoning laws, general development plans,
7 or rent controls.

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

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

11 (D) Elimination or reduction of construction taxes or business
12 license taxes.

13 (E) The provision or expansion of infrastructure.

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

16 (G) The targeting of economic development grants and loan
17 moneys, including grant and loan moneys provided by the United
18 States Department of Housing and Urban Development.

19 (H) The targeting of state and federal job disadvantaged and
20 vocational education grant moneys, including moneys provided
21 by the federal Workforce Investment Act of 1998 (Public Law
22 105-220), or its successor.

23 (I) The targeting of federal or state transportation grant moneys.

24 (J) The targeting of federal or state low-income housing and
25 rental assistance moneys.

26 (K) The use of tax allocation bonds, special assessment bonds,
27 bonds under the Mello-Roos Community Facilities Act of 1982
28 (Chapter 2.5 (commencing with Section 53311) of Part 1 of
29 Division 2 of Title 5), industrial development bonds, revenue
30 bonds, private activity bonds, housing bonds, bonds issued pursuant
31 to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4
32 (commencing with Section 6584) of Chapter 5), certificates of
33 participation, hospital bonds, redevelopment bonds, school bonds,
34 and all special provisions provided for under federal tax law for
35 enterprise community or empowerment zone bonds.

36 (L) *Redevelopment tax increment moneys and local financing*
37 *authorities.*

38 (M) *Federal Workforce Investment Act moneys and programs*
39 *funded with those moneys.*

1 (N) Federal Community Development Block Grant Program
2 moneys.

3 (O) CalWORKs funding and other related resources.

4 (P) Local education entities, including K–12, adult education,
5 community colleges, and public and private universities.

6 (3) When designating new enterprise zones, the department
7 shall take into consideration the location of existing zones and
8 make every effort to locate new zones in a manner that will not
9 adversely affect any existing zones.

10 (4) When reviewing and ranking new enterprise zone
11 applications, the department shall give bonus points to applications
12 from jurisdictions that meet minimum threshold points and at least
13 ~~two~~ both of the following criteria:

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

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

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

25 (5) Except as modified pursuant to paragraph (4), applications
26 shall be ranked by the appropriateness of the economic
27 development strategy and implementation plan, including all of
28 the following:

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

32 (B) The extent the strategy provides for attracting private sector
33 investment.

34 (C) The extent the strategy includes related regional and
35 community-based partnerships for achieving the goals and
36 objectives in the strategy.

37 (D) The extent the strategy fits within the jurisdiction's overall
38 economic development strategy, including the extent the strategy
39 and implementation plan is appropriate for the local community.

1 (E) The extent the strategy addresses the hiring and retention
 2 of unemployed or underemployed residents or low-income
 3 individuals in the proposed zone and surrounding areas.

4 (F) The extent the strategy sets reasonable and measurable
 5 benchmarks, goals, and objectives.

6 (G) The extent the strategy sets forth an appropriate funding
 7 schedule for management, oversight, and program delivery within
 8 the zone relative to the benchmarks, goals, and objectives in the
 9 strategy.

10 (H) The extent that the economic development strategy has a
 11 comprehensive incentive package for attracting private investment
 12 to the enterprise zone.

13 (c) In evaluating applications for designation, the department
 14 shall ensure that applications are not disqualified solely because
 15 of technical deficiencies, and shall provide applicants with an
 16 opportunity to correct the deficiencies. Applications shall be
 17 disqualified if the deficiencies are not corrected within two weeks.

18 (d) Except upon dedesignation pursuant to subdivision (c) of
 19 Section 7076.1, Section 7076.2, or Section 7085.1, a designation
 20 made by the department shall be binding for a period of 15 years
 21 from the date of the original designation.

22 *(e) The applicant shall be required to begin implementation of*
 23 *the enterprise zone plan contained in the final application within*
 24 *six months after notification of final designation, or the enterprise*
 25 *zone shall be dedesignated.*

26 (e)

27 (f) (1) This section shall ~~only~~ apply *only* to enterprise zone
 28 applications for which the department has issued a solicitation for
 29 new enterprise zone designations on or after January 1, 2007.

30 (2) *The amendments made to this section during the 2011*
 31 *portion of the 2011–12 Regular Session shall apply only to*
 32 *enterprise zone applications for which the department has issued*
 33 *a solicitation for new enterprise zone designations on or after*
 34 *January 1, 2012.*

35 SEC. 4. Section 7076 of the Government Code is amended to
 36 read:

37 7076. (a) *The department shall serve as a liaison between the*
 38 *state and enterprise zone residents, businesses, workers, nonprofit*
 39 *organizations, and local governments. State agencies and*
 40 *departments shall affirmatively support their statutory*

1 *responsibilities under this chapter and, consistent with their*
2 *statutory duties, respond to requests made by and on the behalf of*
3 *an enterprise zone.*

4 ~~(a)~~

5 (b) (1) The department shall provide technical assistance to the
6 enterprise zones designated pursuant to this chapter with respect
7 to all of the following activities:

8 (A) Furnish limited onsite assistance to the enterprise zones
9 when appropriate.

10 (B) Ensure that the locality has developed a method to make
11 residents, businesses, and neighborhood organizations aware of
12 the opportunities to participate in the program.

13 (C) Help the locality develop a marketing program for the
14 enterprise zone.

15 (D) Coordinate activities of other state agencies regarding the
16 enterprise zones.

17 (E) Monitor the progress of the program.

18 (F) Help businesses to participate in the program.

19 (2) Notwithstanding existing law, the provision of services in
20 subparagraphs (A) to (F), inclusive, shall be a high priority of the
21 department.

22 (3) The department may, at its discretion, undertake other
23 activities in providing management and technical assistance for
24 successful implementation of this chapter.

25 ~~(b) The applicant shall be required to begin implementation of~~
26 ~~the enterprise zone plan contained in the final application within~~
27 ~~six months after notification of final designation or the enterprise~~
28 ~~zone shall lose its designation.~~

29 (c) The department shall assess a fee of fifteen dollars (\$15) on
30 each enterprise zone and manufacturing enhancement area for each
31 application for issuance of a certificate pursuant to subdivision (j)
32 of Section 17053.47 of, subdivision (c) of Section 17053.74 of,
33 subdivision (c) of Section 23622.7 of, or subdivision (i) of Section
34 23622.8 of, the Revenue and Taxation Code. The department shall
35 collect the fee for deposit into the Enterprise Zone Fund, pursuant
36 to Section 7072.3, for the costs of administering this chapter. The
37 enterprise zone ~~or manufacturing enhancement area~~ administrator
38 shall collect this fee at the time an application is submitted for
39 issuance of a certificate.

1 (d) Certificates for hiring credits shall be processed and
2 approved or denied based upon the regulations and administrative
3 memoranda in effect as of the date of the application.
4 Clarifications, interpretations, and other items contained within
5 a memorandum shall be binding upon the department, businesses,
6 enterprise zones, and all other applicable entities, as consistent
7 with state and federal law, unless the memorandum is modified or
8 repealed in writing.

9 (e) (1) (A) The department shall maintain, and post on its
10 Internet Web site, a catalog of all administrative memoranda in
11 effect that implement this chapter, including the subject matter of
12 the memoranda and the effective dates of their publication,
13 modification, or repeal, along with the text of the memoranda.

14 (B) The department shall post on its Internet Web site the
15 publication, modification, or repeal of any of those administrative
16 memoranda, within 10 business days of that publication,
17 modification, or repeal.

18 (2) The department shall post on its Internet Web site enterprise
19 zone and targeted employment area boundary approvals,
20 modifications, and repeals within 10 business days of the approval,
21 modification, or repeal becoming final.

22 SEC. 5. Section 7076.1 of the Government Code is amended
23 to read:

24 7076.1. (a) The department may audit the program of any
25 jurisdiction in any designated G-TEDA at any time during the
26 duration of the designation, as appropriate. However, the
27 department shall audit each G-TEDA at least once every five years
28 from the date of designation or the operative date of this section,
29 whichever is the latest. The matters to be examined in the course
30 of an audit shall include an examination of the progress made by
31 the G-TEDA toward meeting the goals, objectives, and
32 commitments set forth in its original application and the
33 department's memorandum of understanding with the G-TEDA.

34 (b) The department shall, for each audit, determine a result of
35 superior, pass, or fail in accordance with subdivision (c). The
36 results of each audit shall be based upon the success of the
37 G-TEDA in making substantial and sustained efforts since the later
38 of its designation or last audit to meet the standards, criteria, and
39 conditions contained in the application and the memorandum of
40 understanding (MOU) between the department and the G-TEDA,

1 as may be amended pursuant to the agreement of the G-TEDA and
2 the department. In each audit, the department shall focus upon the
3 G-TEDA's use of the marketing plan, local incentives, financing
4 programs, job development, and program management as described
5 in the application and the MOU. The department shall also evaluate
6 the vouchering plan, staffing levels, budget, and elements unique
7 to each application.

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

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

13 (A) Meets 90 to 100 percent of its goals, objectives, and
14 commitments as defined in its application, most recent audit,
15 biennial report, and memorandum of understanding with the
16 department, and as determined by the department in consultation
17 with the G-TEDA. An equivalent or similar commitment may be
18 substituted for an existing commitment of a G-TEDA if it is
19 determined by the department that an original commitment was
20 not realistically practical or is no longer relevant.

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

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

28 (2) (A) A G-TEDA will be determined to be passing if each
29 jurisdiction comprising the area meets ~~or exceeds~~ 75 to 90 percent
30 of its goals, objectives, or commitments as defined in its original
31 application, most recent audit, biennial report, and memorandum
32 of understanding with the department, and as determined by the
33 department in consultation with the G-TEDA. An equivalent or
34 similar commitment may be substituted for an existing commitment
35 of a G-TEDA if it is determined by the department that an original
36 commitment was not realistically practical or is no longer relevant.

37 (B) Any G-TEDA that is determined to be passing may appeal
38 in writing to the department for a determination of superior. Only
39 one appeal may be filed pursuant to this subparagraph with respect
40 to a determination by the department, and may be filed no later

1 than 30 days after the G-TEDA's receipt of the determination to
2 which the appeal pertains. The department shall respond in writing
3 to any appeal that is properly filed pursuant to this subparagraph
4 within 60 days of the date of that filing.

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

15 (B) Any G-TEDA that is determined to be failing shall enter
16 into a written agreement with the department that specifies those
17 items that the G-TEDA is required to remedy or improve. Failure
18 of the G-TEDA and the department to negotiate and enter into a
19 written agreement as so described within 60 days of the last day
20 upon which the department is required to deliver a response letter
21 pursuant to subparagraph (C) of paragraph (4) shall result in the
22 dedesignation of the G-TEDA on January 1 immediately following
23 the department's written notice of dedesignation to the G-TEDA.

24 A
25 (C) A written agreement entered into pursuant to this
26 ~~subparagraph~~ paragraph shall be for a six-month period. If, upon
27 the expiration of the agreement, the department determines that
28 the G-TEDA has not met or implemented at least 75 percent of
29 the conditions set forth in the agreement, the department shall,
30 after immediately providing written notification to each jurisdiction
31 comprising the G-TEDA that the G-TEDA is to be dedesignated;
32 ~~dedesignate~~. *Dedesignation of the G-TEDA is effective on the first*
33 *day of the month next following the date upon which the agreement*
34 *expired. If, upon expiration of the agreement, the department*
35 *determines that the G-TEDA has met or implemented at least 75*
36 *percent of the conditions set forth in the agreement, the department*
37 *shall do either of the following:*

38 (i) Allow the G-TEDA an additional year, or a longer period in
39 the department's discretion, to meet or implement those conditions
40 in their entirety.

1 (ii) Pursuant to written notice provided immediately to each
2 jurisdiction that comprises the G-TEDA that the G-TEDA is to be
3 dedesignated, dedesignate the G-TEDA effective on January 1
4 immediately following the date of the department's written
5 notification of dedesignation to those jurisdictions.

6 ~~Any~~

7 (D) Any business, located within any jurisdiction that comprises
8 a G-TEDA that has been dedesignated, that has elected to avail
9 itself of any state tax incentive specifically applicable to a G-TEDA
10 for any taxable or income year beginning prior to the dedesignation
11 of the G-TEDA may, to the extent the business is otherwise still
12 eligible for those incentives, continue to avail itself of those
13 incentives for a period equal to the remaining life of the G-TEDA.
14 However, any business, located within any jurisdiction that
15 comprises a G-TEDA that has been dedesignated, that has not
16 availed itself of any state tax incentive in the manner described in
17 the preceding sentence may not, after dedesignation of the
18 G-TEDA, avail itself of any state incentive specifically applicable
19 to a G-TEDA.

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

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

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

36 (d) *In undertaking its audit responsibilities pursuant to this*
37 *section, the department shall seek appropriate opportunities to*
38 *provide technical assistance and training to help G-TEDAs address*
39 *inadequacies identified through the audit of the program.*
40 *Assistance may include, but is not limited to, workshops, mentoring*

1 *programs, and referrals to other federal, state, and local public*
 2 *and private entities.*

3 ~~(d)~~

4 (e) (1) For purposes of this section, “dedesignation” means that
 5 a G-TEDA is no longer a G-TEDA for purposes of either Section
 6 7073 or 7085.

7 (2) Upon notification by the department of the dedesignation
 8 of a G-TEDA and the end of the appeal period with respect to that
 9 dedesignation, the department shall initiate an application process
 10 for a new designation as provided in Section 7073, 7073.8, 7085,
 11 7097, or 7114.

12 (f) *In addition to any other oversight activities that the*
 13 *department determines are appropriate and necessary, the*
 14 *department shall review the progress reports submitted by a*
 15 *G-TEDA pursuant to Section 7085.1 and determine whether an*
 16 *audit is warranted.*

17 SEC. 6. *Section 7081 of the Government Code is amended to*
 18 *read:*

19 7081. (a) Notwithstanding any other provision of state law,
 20 and to the extent permitted by federal law, the Employment
 21 Development Department and the State Department of Education
 22 shall give high priority to the training of unemployed individuals
 23 who reside in a targeted employment area or a designated enterprise
 24 zone. ~~The~~

25 (b) *When developing workforce development and training plans*
 26 *and strategies, including, but not limited to, federal Workforce*
 27 *Development Act funds, a state entity shall consider how the*
 28 *G-TEDA programs could be integrated so as to maximize the*
 29 *benefits to workers and businesses.*

30 (c) *The Employment Development Department shall, consistent*
 31 *with its duties to assist unemployed workers who are registered*
 32 *in the one-stop career centers, provide letters to unemployed*
 33 *prospective employees that could be used to certify their eligibility*
 34 *as a person participating in a program developed pursuant to the*
 35 *federal Workforce Investment Act of 1998 (29 U.S.C. Sec. 2081 et*
 36 *seq.).*

37 (d) *The department may assist localities in designating local*
 38 *business, labor, and education consortia to broker activities between*
 39 *the employment community and educational and training*

1 institutions. Any available discretionary funds may be used to
2 assist the creation of those consortia.

3 (e) *Local education entities that administer student work permits*
4 *shall consider how enterprise zone program hiring credits could*
5 *be used to benefit lower income students who apply for work*
6 *permits at their offices.*

7 SEC. 7. *Section 7085 of the Government Code is amended to*
8 *read:*

9 7085. (a) Notwithstanding Section 7550.5, the department
10 shall submit a report to the Legislature every ~~five~~ six years
11 ~~beginning January 1, 1998~~, that evaluates the effect of the program
12 *on retaining and increasing employment among targeted*
13 *populations as described in subdivision (c), public and private*
14 *investment, and incomes, and on state and local tax revenues in*
15 *designated enterprise zones. The report shall include a department*
16 *review of the progress and effectiveness of each enterprise zone,*
17 *including, but not limited to, any efforts made regarding training*
18 *and placement of unemployed individuals pursuant to Section*
19 *7081. The Employment Development Department, the State*
20 *Department of Social Services, and the State Department of*
21 *Education shall, for the purposes of the report, provide the*
22 *department with existing data on unemployed individuals receiving*
23 *training. The Franchise Tax Board shall make available to the*
24 *department and the Legislature aggregate information on the dollar*
25 *value of enterprise zone tax credits that are claimed each year by*
26 *businesses pursuant to Section 7085.5. The Department of General*
27 *Services shall provide information on the use and outcomes that*
28 *the department tracks relating to the enterprise zone procurement*
29 *preference.*

30 (b) An enterprise zone governing body shall provide information
31 at the request of the department as necessary for the department
32 to prepare the report required pursuant to subdivision (a).

33 (c) *Targeted populations included within the report required*
34 *pursuant to subdivision (a) shall include, but not be limited to, the*
35 *disabled, disabled veterans, individuals formerly on forms of*
36 *federal and state assistance, individuals within the targeted*
37 *employment areas, ex-offenders, and veterans.*

38 (d) *The base year for the report required pursuant to subdivision*
39 *(a) shall be the calendar year commencing January 1, 2012.*

1 SECTION 1. ~~The Legislature finds and declares that this act~~
2 ~~by the Assembly Committee on Jobs, Economic Development,~~
3 ~~and the Economy is the committee's annual omnibus bill on~~
4 ~~geographically targeted economic development areas.~~

5 SEC. 2. Section 7076.1 of the Government Code is amended
6 to read:

7 7076.1. (a) ~~The department may audit the program of any~~
8 ~~jurisdiction in any designated G-TEDA at any time during the~~
9 ~~duration of the designation, as appropriate. However, the~~
10 ~~department shall audit each G-TEDA at least once every five years~~
11 ~~from the date of designation or the operative date of this section,~~
12 ~~whichever is the latest. The matters to be examined in the course~~
13 ~~of an audit shall include an examination of the progress made by~~
14 ~~the G-TEDA toward meeting the goals, objectives, and~~
15 ~~commitments set forth in its original application and the~~
16 ~~department's memorandum of understanding with the G-TEDA.~~

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

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

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

36 (A) ~~Meets 100 percent of its goals, objectives, and commitments~~
37 ~~as defined in its application, most recent audit, biennial report, and~~
38 ~~memorandum of understanding with the department, and as~~
39 ~~determined by the department in consultation with the G-TEDA.~~
40 ~~An equivalent or similar commitment may be substituted for an~~

1 existing commitment of a G-TEDA if it is determined by the
2 department that an original commitment was not realistically
3 practical or is no longer relevant.

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

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

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

20 (B) Any G-TEDA that is determined to be passing may appeal
21 in writing to the department for a determination of superior. Only
22 one appeal may be filed pursuant to this subparagraph with respect
23 to a determination by the department, and may be filed no later
24 than 30 days after the G-TEDA's receipt of the determination to
25 which the appeal pertains. The department shall respond in writing
26 to any appeal that is properly filed pursuant to this subparagraph
27 within 60 days of the date of that filing.

28 (3) (A) A G-TEDA will be determined to be failing if any
29 jurisdiction comprising the G-TEDA fails to meet or exceed 75
30 percent of its goals, objectives, or commitments as defined in its
31 original application, most recent audit, biennial report, and
32 memorandum of understanding with the department, and as
33 determined by the department in consultation with the G-TEDA.
34 An equivalent or similar commitment may be substituted for an
35 existing commitment of a G-TEDA if it is determined by the
36 department that an original commitment was not realistically
37 practical or is no longer relevant.

38 (B) Any G-TEDA that is determined to be failing shall enter
39 into a written agreement with the department that specifies those
40 items that the G-TEDA is required to remedy or improve. Failure

1 of the G-TEDA and the department to negotiate and enter into a
2 written agreement as so described within 60 days of the last day
3 upon which the department is required to deliver a response letter
4 pursuant to subparagraph (C) shall result in the dedesignation of
5 the G-TEDA on January 1 immediately following the department's
6 written notice of dedesignation to the G-TEDA. A written
7 agreement entered into pursuant to this subparagraph shall be for
8 a six-month period. If, upon the expiration of the agreement, the
9 department determines that the G-TEDA has not met or
10 implemented at least 75 percent of the conditions set forth in the
11 agreement, the department shall, after immediately providing
12 written notification to each jurisdiction comprising the G-TEDA
13 that the G-TEDA is to be dedesignated, dedesignate the G-TEDA
14 effective on the first day of the month next following the date upon
15 which the agreement expired. If, upon expiration of the agreement,
16 the department determines that the G-TEDA has met or
17 implemented at least 75 percent of the conditions set forth in the
18 agreement, the department shall do either of the following:

19 (i) Allow the G-TEDA an additional year, or a longer period in
20 the department's discretion, to meet or implement those conditions
21 in their entirety.

22 (ii) Pursuant to written notice provided immediately to each
23 jurisdiction that comprises the G-TEDA that the G-TEDA is to be
24 dedesignated, dedesignate the G-TEDA effective on January 1
25 immediately following the date of the department's written
26 notification of dedesignation to those jurisdictions.

27 Any business, located within any jurisdiction that comprises a
28 G-TEDA that has been dedesignated, that has elected to avail itself
29 of any state tax incentive specifically applicable to a G-TEDA for
30 any taxable or income year beginning prior to the dedesignation
31 of the G-TEDA may, to the extent the business is otherwise still
32 eligible for those incentives, continue to avail itself of those
33 incentives for a period equal to the remaining life of the G-TEDA.
34 However, any business, located within any jurisdiction that
35 comprises a G-TEDA that has been dedesignated, that has not
36 availed itself of any state tax incentive in the manner described in
37 the preceding sentence may not, after dedesignation of the
38 G-TEDA, avail itself of any state incentive specifically applicable
39 to a G-TEDA.

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

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

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

17 ~~(d) (1) For purposes of this section, "dedesignation" means that~~
 18 ~~a G-TEDA is no longer a G-TEDA for purposes of either Section~~
 19 ~~7073 or 7085.1.~~

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

25 ~~SEC. 3. Section 7085 of the Government Code is repealed.~~

26 ~~SEC. 4.~~

27 ~~SEC. 8. Section 7085.1 of the Government Code is amended~~
 28 ~~to read:~~

29 7085.1. (a) The governing board of the G-TEDA shall report
 30 to the department by October 1, 2008, and by that date every other
 31 year thereafter, on the activities of the G-TEDA in the previous
 32 two fiscal years and its plans for the current and following fiscal
 33 year. The biennial report shall include at least ~~both~~ *all* of the
 34 following:

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

39 (2) Identification of the previous two years' funding, including
 40 in-kind funding. The previous two years' funding levels shall be

1 compared to the funding levels identified in its original application
 2 and the department’s memorandum of understanding with the
 3 G-TEDA, and the amount identified in the previous biennial report.
 4 An explanation of any meaningful discrepancies in these amounts
 5 shall be provided.

6 *(3) Identification of the financial value of local incentives*
 7 *provided during the report period, and of federal and other state*
 8 *resources accessed to serve the residents, workers, and businesses*
 9 *in the G-TEDA.*

10 *(4) The following information based on the certification*
 11 *applications approved in the zones relating to the hiring credit:*

12 *(A) The number of jobs for which certifications have been issued.*
 13 *(B) The number of new employees for which certifications have*
 14 *been issued.*

15 *(C) The number of employees replacing previous employees for*
 16 *which certifications, were issued.*

17 *(D) The number of employees by qualified employee category*
 18 *pursuant to Sections 17053.74 and 23622.7 of the Revenue and*
 19 *Taxation Code.*

20 *(E) The total range and the average, median, and mean*
 21 *employee wage rates that were certified.*

22 *(F) The number of businesses obtaining certification for*
 23 *qualified employees.*

24 *(G) The industry classification, based on the North American*
 25 *Industry Classification System, of businesses obtaining certification*
 26 *of qualified employees.*

27 *(H) The distribution of employee certifications among industry*
 28 *sectors, based on the North American Industry Classification*
 29 *System.*

30 *(I) The distribution of employee certifications by the annual*
 31 *receipts and asset value of the business obtaining qualified*
 32 *employee certifications.*

33 *(J) The number of state-certified small businesses that submitted*
 34 *qualified employee certification applications.*

35 *(K) The number of state-certified disabled veteran*
 36 *owned-business enterprises that submitted applications.*

37 (b) The progress of the G-TEDA in meeting the goals,
 38 objectives, and commitments set forth in the original application
 39 and the memorandum of understanding with the department shall

1 be reviewed at least biennially by the legislative bodies comprising
2 the G-TEDA.

3 (c) An enterprise zone governing body shall provide information
4 at the request of the department as necessary for the department
5 to prepare the report required pursuant to subdivisions (e) and (f).

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

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

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

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

31 (e) The department shall biennially, beginning on or before
32 December 31, 2008, make available to the Legislature information
33 related to the progress that each G-TEDA is making toward
34 implementing its goals, objectives, and commitments set forth in
35 the original application, the department's memorandum of
36 understanding with the G-TEDA, and the G-TEDA's biennial
37 report.

38 ~~(f) Notwithstanding Section 10231.5, the department shall~~
39 ~~submit a report to the Legislature on or before December 31, 2011,~~
40 ~~addressing the period of January 1, 2005, to July 1, 2010, inclusive,~~

1 and submit a report every six years thereafter, addressing the period
2 of the six immediately preceding fiscal years, that evaluates the
3 effect of the program on employment, investment, and incomes,
4 and on state and local tax revenues in designated enterprise zones.
5 The assessment shall differentiate the progress made by G-TEDAs
6 designated prior to January 1, 2007, and those designated after
7 January 1, 2007.

8 ~~SEC. 5. The Legislature finds and declares both of the~~
9 ~~following:~~

10 ~~(a) This is an act by the Assembly Committee on Jobs, Economic~~
11 ~~Development, and the Economy for code maintenance.~~

12 ~~(b) The changes made by this act to subdivision (e) of Section~~
13 ~~7085.1 of the Government Code are technical, nonsubstantive~~
14 ~~corrections.~~

15 ~~(f) G-TEDAs that fail to submit a timely biennial report to the~~
16 ~~department shall be audited pursuant to Section 7076.1. This~~
17 ~~subdivision shall apply to all reports due on or after October 1,~~
18 ~~2012.~~

19 ~~SEC. 9. Section 7085.5 of the Government Code is amended~~
20 ~~to read:~~

21 7085.5. (a) The Franchise Tax Board shall annually make
22 available to the department and the Legislature information, by
23 enterprise zone and by city or county, on the dollar value of the
24 enterprise zone tax credits *and other tax-related incentives* that
25 are claimed each year by businesses and shall design and distribute
26 forms and instructions that will allow the following information
27 to be accessible:

28 ~~(a)~~

29 ~~(1) The total number of jobs for which the hiring credits are~~
30 ~~claimed.~~

31 ~~(b) The number of new employees for which hiring credits are~~
32 ~~claimed.~~

33 ~~(c)~~

34 ~~(2) The number of businesses claiming each individual tax~~
35 ~~credit.~~

36 ~~(d)~~

37 ~~(3) The nature of the business claiming each individual tax~~
38 ~~credit.~~

39 ~~(e)~~

1 (4) The distribution of zone tax incentives among industry
2 groups.

3 ~~(f)~~

4 (5) The distribution of zone tax incentives by the annual receipts
5 and asset value of the business claiming each individual tax credit.

6 (6) *The total amount of capital investments made, as well as*
7 *the value of the total amount of credit claimed by businesses under*
8 *the sales and use tax credit.*

9 ~~(g)~~

10 (7) Any other information that the Franchise Tax Board and the
11 department deem to be important in determining the cost to, and
12 benefit derived by, the taxpayers of the state.

13 (b) *In developing this information, the Franchise Tax Board*
14 *shall review returns from personal and corporate tax returns. The*
15 *totals for each tax incentive shall, at a minimum, be reported*
16 *separately.*

O