

AMENDED IN ASSEMBLY APRIL 29, 2013

AMENDED IN ASSEMBLY MARCH 4, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 28

Introduced by Assembly Member V. Manuel Pérez

(Coauthors: Assembly Members Alejo, Brown, Daly, Fox, Hall, Roger Hernández, Holden, Muratsuchi, Perea, Quirk-Silva, Salas, and Weber)

December 3, 2012

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 *development, and declaring the urgency thereof, to take effect immediately.*

LEGISLATIVE COUNSEL'S DIGEST

AB 28, as amended, V. Manuel Pérez. Economic development: 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, 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 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.

Existing law, the Enterprise Zone Act, authorizes the Department of Housing and Community Development to assess a fee of not more than \$15 on each enterprise zone and manufacturing enhancement area for each application for issuance of a certificate pursuant to specified tax credit provisions.

This bill would instead authorize the department to charge a fee for those applications not to exceed the reasonable cost of administering the Enterprise Zone Act, but not to exceed \$20. The bill would require any increase in the fee higher than the amount that was charged by the department as of January 1, 2014, to be adopted by regulation.

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

Vote: ~~majority~~^{2/3}. 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 streamlining and expediting of licensing and permitting of
- 12 development-related activities and the implementation of publicly
- 13 and privately funded programs and services that stimulate business
- 14 and industrial growth in the depressed areas of the state.
- 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
- 18 allows these communities to more effectively compete for new
- 19 businesses and retain existing businesses, which results in increased
- 20 tax revenues, less reliance on social services, and lower public

1 safety costs. Residents and businesses also directly benefit from
2 these more sustainable economic conditions through improved
3 neighborhoods, business expansion, and job creation.

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

10 (d) This chapter shall not be construed to infringe upon
11 regulations relating to the civil rights, equal employment rights,
12 equal opportunity rights, or fair housing rights of any person.

13 SEC. 2. Section 7072 of the Government Code is amended to
14 read:

15 7072. For purposes of this chapter, the following definitions
16 shall apply:

17 (a) “Department” means the Department of Housing and
18 Community Development.

19 (b) “Date of original designation” means the earlier of the
20 following:

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

23 (2) In the case of an enterprise zone deemed designated pursuant
24 to subdivision (e) of Section 7073, the date the enterprise zone or
25 program area received original designation by the former Trade
26 and Commerce Agency pursuant to Chapter 12.8 (commencing
27 with Section 7070) or Chapter 12.9 (commencing with Section
28 7080), as those chapters read prior to January 1, 1997.

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

30 (1) (A) An area designated as an enterprise zone pursuant to
31 Chapter 12.8 (commencing with Section 7070), as it read prior to
32 January 1, 1997, or as a targeted economic development area,
33 neighborhood development area, or program area pursuant to
34 Chapter 12.9 (commencing with Section 7080), as it read prior to
35 January 1, 1997.

36 (B) A geographic area within census tracts of the proposed
37 eligible area with a median household income for a family of four
38 that does not exceed 80 percent of the statewide median income
39 for the most recently available calendar year, as well as meeting
40 at least one of the following criteria:

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

5 (ii) The census tracts for the proposed eligible area are served
6 by public schools that have more than 70 percent of the children
7 enrolled in the federal free lunch program.

8 (iii) The area within the proposed zone has experienced
9 significant distress factors, as defined by the department, including,
10 but not limited to, a history of significant gang-related activity,
11 high crime rates, or a significant number of plant or business
12 closures, or all of these.

13 (2) The amendments made to this subdivision during the
14 2012–13 Regular Session shall apply only to requests for proposals
15 issued on or after January 1, 2014.

16 (d) “Enterprise zone” means any area within a city, county, or
17 city and county that is designated as an enterprise zone by the
18 department in accordance with Section 7073.

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

21 (f) “G-TEDA” means a geographically targeted economic
22 development area, which is an area designated as an enterprise
23 zone, a manufacturing enhancement area, a targeted tax area, or a
24 local agency military base recovery area.

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

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

30 (i) “Rural city” means a city with a population under 75,000
31 that, in whole or in part, is located in an area designated as
32 “frontier” or “rural” on the California Medical Service Study Areas
33 map, as it was published in September 2010 or more recently
34 updated by the Office of Statewide Health Planning and
35 Development.

36 (j) (1) “Targeted employment area” means an area within a
37 city, county, or city and county that is composed solely of those
38 census tracts designated by the United States Department of
39 Housing and Urban Development as having at least 51 percent of
40 its residents of low- or moderate-income levels, using either the

1 most recent United States Census Bureau data available at the time
2 of the original enterprise zone application or the most recent United
3 States Census Bureau data available at the time the targeted
4 employment area is designated to determine that eligibility. The
5 purpose of a “targeted employment area” is to encourage businesses
6 in an enterprise zone to hire eligible residents of certain geographic
7 areas within a city, county, or city and county. A targeted
8 employment area may be, but is not required to be, the same as all
9 or part of an enterprise zone. A targeted employment area’s
10 boundaries need not be contiguous. A targeted employment area
11 does not need to encompass each eligible census tract within a
12 city, county, or city and county. The governing body of each city,
13 county, or city and county that has jurisdiction of the enterprise
14 zone shall identify those census tracts whose residents are in the
15 most need of this employment targeting. Only those census tracts
16 within the jurisdiction of the city, county, or city and county that
17 has jurisdiction of the enterprise zone may be included in a targeted
18 employment area.

19 (2) At least a part of each eligible census tract within a targeted
20 employment area shall be within the territorial jurisdiction of the
21 city, county, or city and county that has jurisdiction for an
22 enterprise zone. If an eligible census tract encompasses the
23 territorial jurisdiction of two or more local governmental entities,
24 all of those entities shall be a party to the designation of a targeted
25 employment area. However, any one or more of those entities, by
26 resolution or ordinance, may specify that it shall not participate in
27 the application as an applicant, but shall agree to complete all
28 actions stated within the application that apply to its jurisdiction,
29 if the area is designated.

30 (3) Each local governmental entity of each city, county, or city
31 and county that has jurisdiction of an enterprise zone shall approve,
32 by resolution or ordinance, the boundaries of its targeted
33 employment area, regardless of whether a census tract within the
34 proposed targeted employment area is outside the jurisdiction of
35 the local governmental entity.

36 (4) (A) Within 180 days of updated United States Census
37 Bureau data becoming available, each local governmental entity
38 of each city, county, or city and county that has jurisdiction of an
39 enterprise zone shall approve, by resolution or ordinance,
40 boundaries of its targeted employment area reflecting the new

1 census data. If no changes are necessary to the boundaries based
2 on the most current census data, the enterprise zone may send a
3 letter to the department stating that a review has been undertaken
4 by the respective local governmental entities and no boundary
5 changes are required.

6 (B) A targeted employment area boundary approved prior to
7 the 2000 United States census data becoming available that has
8 not been reviewed and its boundaries revised to reflect the most
9 recent census data, shall be reviewed and updated, and a new
10 resolution or ordinance submitted by the appropriate local
11 governmental entity to the department, by July 1, 2007. However,
12 enterprise zones that expire on or prior to December 31, 2008,
13 shall be exempt from the update requirement.

14 SEC. 3. Section 7073.1 of the Government Code is amended
15 to read:

16 7073.1. (a) A city, county, or city and county with an eligible
17 area within its jurisdiction may complete a preliminary application
18 for designation as an enterprise zone. The applying entity shall
19 establish definitive boundaries for the proposed enterprise zone
20 and the targeted employment area. An entity may propose zones
21 in areas with noncontiguous boundaries, and the department may
22 designate those areas as zones if the director determines both of
23 the following:

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

26 (2) The excluded area between the proposed zone boundaries
27 would not, based on the proposed economic strategy, also benefit
28 from the zone designation.

29 (b) (1) In designating enterprise zones, the department shall
30 select from the applications submitted those proposed enterprise
31 zones that, upon a comparison of all of the applications submitted,
32 indicate that they propose the most appropriate economic
33 development strategy and implementation plan utilizing state and
34 local programs and incentives to create jobs, attract private sector
35 investment, and improve the economic conditions within the zone
36 proposed. The department shall prescribe a format that promotes
37 succinct and focused strategies and plans, and set minimum
38 standards for the strategies and plans. For the purposes of this
39 subdivision, important elements of a strategy or plan may include,
40 but are not limited to, all of the following:

- 1 (A) An assessment of current financial and community
- 2 development strengths, needs, and opportunities.
- 3 (B) A framework for investment of time, action, and money.
- 4 (C) Clear articulation of goals.
- 5 (D) Measurable objectives, including targets.
- 6 (E) Proposed implementation activities and tasks, including
- 7 timeframes, and a framework for evaluating performance, including
- 8 qualitative and quantitative benchmarks.
- 9 (F) An identification of local resources, including incentives,
- 10 the jurisdiction will utilize to implement the strategy or plan and
- 11 how those resources will help to leverage or maximize the benefit
- 12 of state resources that become available for enterprise zone
- 13 communities.
- 14 (2) For purposes of this subdivision, local resources may include,
- 15 but are not limited to, all of the following:
- 16 (A) The suspension or relaxation of locally originated or
- 17 modified building codes, zoning laws, general development plans,
- 18 or rent controls.
- 19 (B) The elimination or reduction of fees for applications,
- 20 permits, and local government services.
- 21 (C) The establishment of a streamlined permit process.
- 22 (D) Elimination or reduction of construction taxes or business
- 23 license taxes.
- 24 (E) The provision or expansion of infrastructure.
- 25 (F) The targeting of federal block grant moneys, including small
- 26 cities, education, and health and welfare block grants.
- 27 (G) The targeting of economic development grants and loan
- 28 moneys, including grant and loan moneys provided by the United
- 29 States Department of Housing and Urban Development.
- 30 (H) The targeting of state and federal job disadvantaged and
- 31 vocational education grant moneys, including moneys provided
- 32 by the federal Workforce Investment Act of 1998 (Public Law
- 33 105-220), or its successor.
- 34 (I) The targeting of federal or state transportation grant moneys.
- 35 (J) The targeting of federal or state low-income housing and
- 36 rental assistance moneys.
- 37 (K) The use of tax allocation bonds, special assessment bonds,
- 38 bonds under the Mello-Roos Community Facilities Act of 1982
- 39 (Chapter 2.5 (commencing with Section 53311) of Part 1 of
- 40 Division 2 of Title 5), industrial development bonds, revenue

1 bonds, private activity bonds, housing bonds, bonds issued pursuant
2 to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4
3 (commencing with Section 6584) of Chapter 5), certificates of
4 participation, hospital bonds, redevelopment bonds, school bonds,
5 and all special provisions provided for under federal tax law for
6 enterprise community or empowerment zone bonds.

7 (L) Local financing authorities.

8 (M) Federal Workforce Investment Act moneys and programs
9 funded with those moneys.

10 (N) Federal Community Development Block Grant Program
11 moneys.

12 (O) CalWORKs funding and other related resources.

13 (P) Local education entities, including kindergarten and grades
14 1 to 12, inclusive, adult education, community colleges, and public
15 and private universities.

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

20 (4) When reviewing and ranking new enterprise zone
21 applications, the department shall give bonus points to applications
22 from jurisdictions that meet minimum threshold points and at least
23 both of the following criteria:

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

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

31 (5) Except as modified pursuant to paragraph (4), applications
32 shall be ranked by the appropriateness of the economic
33 development strategy and implementation plan, including all of
34 the following:

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

38 (B) The extent the strategy provides for attracting private sector
39 investment.

1 (C) The extent the strategy includes related regional and
2 community-based partnerships for achieving the goals and
3 objectives in the strategy.

4 (D) The extent the strategy fits within the jurisdiction’s overall
5 economic development strategy, including the extent the strategy
6 and implementation plan is appropriate for the local community.

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

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

12 (G) The extent the strategy sets forth an appropriate funding
13 schedule for management, oversight, and program delivery within
14 the zone relative to the benchmarks, goals, and objectives in the
15 strategy.

16 (H) The extent that the economic development strategy has a
17 comprehensive incentive package for attracting private investment
18 to the enterprise zone.

19 (c) For applications for enterprise zone designation submitted
20 on or after January 1, 2014, both of the following shall apply:

21 (1) If any portion of the proposed zone is within, or previously
22 was within, the boundaries of a previously designated enterprise
23 zone, the aggregate size of the proposed zone shall not exceed the
24 size of the previously designated and expanded enterprise zone by
25 more than 15 percent. If a proposed zone is located in a rural city
26 or in a county with a population under 275,000, the proposed zone
27 shall not exceed the size of the previously designated zone and
28 expanded enterprise zone by more than 25 percent.

29 (2) If any portions of the proposed zone are within, or previously
30 were within, the boundaries of two or more previously designated
31 enterprise zones, the aggregate size of the proposed zone shall not
32 exceed the size of the largest single previously designated and
33 expanded enterprise zone by more than 15 percent.

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

39 (e) 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 (f) The applicant shall be required to begin implementation of
4 the enterprise zone plan contained in the final application within
5 six months after notification of final designation, or the enterprise
6 zone shall be dedesignated.

7 (g) (1) This section shall apply only to enterprise zone
8 applications for which the department has issued a solicitation for
9 new enterprise zone designations on or after January 1, 2007.

10 (2) The amendments made to this section during the 2012–13
11 Regular Session shall apply only to enterprise zone applications
12 for which the department has issued a solicitation for new
13 enterprise zone designations on or after January 1, 2014.

14 SEC. 4. Section 7076 of the Government Code is amended to
15 read:

16 7076. (a) The department shall serve as a liaison between the
17 state and enterprise zone residents, businesses, workers, nonprofit
18 organizations, and local governments. State agencies and
19 departments shall affirmatively support their statutory
20 responsibilities under this chapter and, consistent with their
21 statutory duties, respond to requests made by and on the behalf of
22 an enterprise zone.

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

26 (A) Furnish limited onsite assistance to the enterprise zones
27 when appropriate.

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

31 (C) Help the locality develop a marketing program for the
32 enterprise zone.

33 (D) Coordinate activities of other state agencies regarding the
34 enterprise zones.

35 (E) Monitor the progress of the program.

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

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

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

4 (c) The department shall assess a fee on each enterprise zone
5 and manufacturing enhancement area for each application for
6 issuance of a certificate pursuant to subdivision (j) of Section
7 17053.47 of, subdivision (c) of Section 17053.74 of, subdivision
8 (c) of Section 23622.7 of, or subdivision (i) of Section 23622.8
9 of, the Revenue and Taxation Code, not to exceed the reasonable
10 cost of administering this chapter, but not to exceed twenty dollars
11 (\$20). If the department increases the fee higher than the amount
12 that was charged by the department as of January 1, 2014, then
13 the department shall adopt the fee increase by regulation. The
14 department shall collect the fee for deposit into the Enterprise Zone
15 Fund, pursuant to Section 7072.3, for the costs of administering
16 this chapter. The enterprise zone or manufacturing enhancement
17 area administrator shall collect this fee at the time an application
18 is submitted for issuance of a certificate.

19 (d) (1) (A) The department shall maintain, and post on its
20 Internet Web site, a catalog of all administrative memoranda in
21 effect that implement this chapter, including the subject matter of
22 the memoranda and the effective dates of their publication,
23 modification, or repeal, along with the text of the memoranda.

24 (B) The department shall post on its Internet Web site the
25 publication, modification, or repeal of any of those administrative
26 memoranda, within 10 business days of that publication,
27 modification, or repeal.

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

32 SEC. 5. Section 7076.1 of the Government Code is amended
33 to read:

34 7076.1. (a) The department may audit the program of any
35 jurisdiction in any designated G-TEDA at any time during the
36 duration of the designation, as appropriate. However, the
37 department shall audit each G-TEDA at least once every five years
38 from the date of designation or the operative date of this section,
39 whichever is the latest. The matters to be examined in the course
40 of an audit shall include an examination of the progress made by

1 the G-TEDA toward meeting the goals, objectives, and
2 commitments set forth in its original application and the
3 department's memorandum of understanding with the G-TEDA.

4 (b) The department shall, for each audit, determine a result of
5 superior, pass, or fail in accordance with subdivision (c). The
6 results of each audit shall be based upon the success of the
7 G-TEDA in making substantial and sustained efforts since the later
8 of its designation or last audit to meet the standards, criteria, and
9 conditions contained in the application and the memorandum of
10 understanding (MOU) between the department and the G-TEDA,
11 as may be amended pursuant to the agreement of the G-TEDA and
12 the department. In each audit, the department shall focus upon the
13 G-TEDA's use of the marketing plan, local incentives, financing
14 programs, job development, and program management as described
15 in the application and the MOU. The department shall also evaluate
16 the vouchering plan, staffing levels, budget, and elements unique
17 to each application.

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

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

23 (A) Meets 90 to 100 percent of its goals, objectives, and
24 commitments as defined in its application, most recent audit,
25 biennial report, and memorandum of understanding with the
26 department, and as determined by the department in consultation
27 with the G-TEDA. An equivalent or similar commitment may be
28 substituted for an existing commitment of a G-TEDA if it is
29 determined by the department that an original commitment was
30 not realistically practical or is no longer relevant.

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

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

38 (2) (A) A G-TEDA will be determined to be passing if each
39 jurisdiction comprising the area meets 75 to 90 percent of its goals,
40 objectives, or commitments as defined in its original application,

1 most recent audit, biennial report, and memorandum of
2 understanding with the department, and as determined by the
3 department in consultation with the G-TEDA. An equivalent or
4 similar commitment may be substituted for an existing commitment
5 of a G-TEDA if it is determined by the department that an original
6 commitment was not realistically practical or is no longer relevant.

7 (B) Any G-TEDA that is determined to be passing may appeal
8 in writing to the department for a determination of superior. Only
9 one appeal may be filed pursuant to this subparagraph with respect
10 to a determination by the department, and may be filed no later
11 than 30 days after the G-TEDA's receipt of the determination to
12 which the appeal pertains. The department shall respond in writing
13 to any appeal that is properly filed pursuant to this subparagraph
14 within 60 days of the date of that filing.

15 (3) (A) A G-TEDA will be determined to be failing if any
16 jurisdiction comprising the G-TEDA fails to meet or exceed 75
17 percent of its goals, objectives, or commitments as defined in its
18 original application, most recent audit, biennial report, and
19 memorandum of understanding with the department, and as
20 determined by the department in consultation with the G-TEDA.
21 An equivalent or similar commitment may be substituted for an
22 existing commitment of a G-TEDA if it is determined by the
23 department that an original commitment was not realistically
24 practical or is no longer relevant.

25 (B) Any G-TEDA that is determined to be failing shall enter
26 into a written agreement with the department that specifies those
27 items that the G-TEDA is required to remedy or improve. Failure
28 of the G-TEDA and the department to negotiate and enter into a
29 written agreement as so described within 60 days of the last day
30 upon which the department is required to deliver a response letter
31 pursuant to subparagraph (C) of paragraph (4) shall result in the
32 dedesignation of the G-TEDA on January 1 immediately following
33 the department's written notice of dedesignation to the G-TEDA.

34 (C) A written agreement entered into pursuant to this paragraph
35 shall be for a six-month period. If, upon the expiration of the
36 agreement, the department determines that the G-TEDA has not
37 met or implemented at least 75 percent of the conditions set forth
38 in the agreement, the department shall, after immediately providing
39 written notification to each jurisdiction comprising the G-TEDA
40 that the G-TEDA is to be ~~dedesignated~~ *dedesignated, dedesignate*

1 *the G-TEDA*. Dedesignation of the G-TEDA is effective on the
2 first day of the month next following the date upon which the
3 agreement expired. If, upon expiration of the agreement, the
4 department determines that the G-TEDA has met or implemented
5 at least 75 percent of the conditions set forth in the agreement, the
6 department shall do either of the following:

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

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

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

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

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

38 (C) Any G-TEDA that is determined to be failing pursuant to
39 this paragraph may appeal in writing to the department. The appeal
40 shall be filed within 30 days of the G-TEDA's receipt of the

1 determination to which the appeal pertains. The department shall
2 respond in writing to any appeal that is properly filed within 60
3 days of the date of filing.

4 (d) In undertaking its audit responsibilities pursuant to this
5 section, the department shall seek appropriate opportunities to
6 provide technical assistance and training to help G-TEDAs address
7 inadequacies identified through the audit of the program.
8 Assistance may include, but is not limited to, workshops, mentoring
9 programs, and referrals to other federal, state, and local public and
10 private entities.

11 (e) (1) For purposes of this section, “dedesignation” means that
12 a G-TEDA is no longer a G-TEDA for purposes of either Section
13 7073 or 7085.

14 (2) Upon notification by the department of the dedesignation
15 of a G-TEDA and the end of the appeal period with respect to that
16 dedesignation, the department shall initiate an application process
17 for a new designation as provided in Section 7073, 7073.8, 7085,
18 7097, or 7114.

19 (f) In addition to any other oversight activities that the
20 department determines are appropriate and necessary, the
21 department shall review the progress reports submitted by a
22 G-TEDA pursuant to Section 7085.1 and determine whether an
23 audit is warranted.

24 SEC. 6. Section 7081 of the Government Code is amended to
25 read:

26 7081. (a) Notwithstanding any other provision of state law,
27 and to the extent permitted by federal law, the Employment
28 Development Department and the State Department of Education
29 shall give high priority to the training of unemployed individuals
30 who reside in a targeted employment area or a designated enterprise
31 zone.

32 (b) When developing workforce development and training plans
33 and strategies, including, but not limited to, plans, activities, and
34 responsibilities related to Section 14010 of the Unemployment
35 Insurance Code or accessing or allocating funds from the federal
36 Workforce Development Act of 1998 (Public Law 105-220), a
37 state entity shall consider how the G-TEDA programs could be
38 integrated so as to maximize the benefits to workers and businesses.

39 (c) The department may assist localities in designating local
40 business, labor, and education consortia to broker activities between

1 the employment community and educational and training
2 institutions. Any available discretionary funds may be used to
3 assist the creation of those consortia.

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

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

10 7085. (a) In addition to the information it makes available
11 biennially pursuant to subdivision (e) of Section 7085.1, the
12 department shall submit a report to the Legislature every six years
13 that evaluates the effect of the program on retaining and increasing
14 employment among targeted populations as described in
15 subdivision (c), public and private investment, and incomes, and
16 on state and local tax revenues in designated enterprise zones. The
17 report shall include a department review of the progress and
18 effectiveness of each enterprise zone, including, but not limited
19 to, any efforts made regarding training and placement of
20 unemployed individuals pursuant to Section 7081. The
21 Employment Development Department, the State Department of
22 Social Services, and the State Department of Education shall, for
23 the purposes of the report, provide the department with existing
24 data on unemployed individuals receiving training. The Department
25 of General Services shall provide information on the use and
26 outcomes that the department tracks relating to the enterprise zone
27 procurement preference.

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

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

36 (d) The base year for the report required pursuant to subdivision
37 (a) shall be the calendar year commencing January 1, 2014.

38 SEC. 8. Section 7085.1 of the Government Code is amended
39 to read:

1 7085.1. (a) The governing board of the G-TEDA shall report
2 to the department by October 1, 2008, and by that date every other
3 year thereafter, on the activities of the G-TEDA in the previous
4 two fiscal years and its plans for the current and following fiscal
5 year. The biennial report shall include at least all of the following:

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

10 (2) Identification of the previous two years' funding, including
11 in-kind funding. The previous two years' funding levels shall be
12 compared to the funding levels identified in its original application
13 and the department's memorandum of understanding with the
14 G-TEDA, and the amount identified in the previous biennial report.
15 An explanation of any meaningful discrepancies in these amounts
16 shall be provided.

17 (3) Identification of the financial value of local incentives
18 provided during the report period, and of federal and other state
19 resources accessed to serve the residents, workers, and businesses
20 in the G-TEDA.

21 (4) Information aggregated from certification applications
22 approved in the zones relating to the hiring credit. The type of
23 information may include, but not be limited to, the number of jobs
24 for which certifications have been issued and the wage rates and
25 the number and size of the businesses utilizing the program.

26 (5) Information on the number of state-certified disabled
27 veteran-owned business enterprises that submitted applications
28 for employee certification.

29 (b) The progress of the G-TEDA in meeting the goals,
30 objectives, and commitments set forth in the original application
31 and the memorandum of understanding with the department shall
32 be reviewed at least biennially by the legislative bodies comprising
33 the G-TEDA.

34 (c) An enterprise zone governing body shall provide information
35 at the request of the department as necessary for the department
36 to prepare the report required pursuant to this section and Section
37 7085.

38 (d) (1) G-TEDAs designated prior to January 1, 2007, shall
39 have until April 15, 2008, to update their benchmarks, goals,
40 objectives, and funding levels for administering the G-TEDA

1 program, in order to make them measurable and conducive to the
2 successful completion of the economic development strategy. The
3 local legislative body and the department shall approve the updated
4 goals and objectives. The updated goals and objectives shall be
5 included as an update to the existing memorandum of
6 understanding between the G-TEDA and the department.

7 (2) G-TEDAs that fail to obtain approved updated goals and
8 objectives by April 15, 2008, shall be dedesignated effective July
9 1, 2008. The Director of Housing and Community Development
10 shall provide notice of prospective dedesignation to the local
11 government no later than May 1, 2008. The director may authorize
12 up to two 60 calendar day extensions, if the local government and
13 G-TEDA are acting in good faith and the additional time would
14 allow them to meet the requirements of this subdivision. Businesses
15 located within a G-TEDA that have been dedesignated shall
16 continue to have access to tax incentives previously authorized
17 within the G-TEDA pursuant to Section 7082.2.

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

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

23 (e) The department shall biennially, beginning on or before
24 December 31, 2008, make available to the Legislature information
25 related to the progress that each G-TEDA is making toward
26 implementing its goals, objectives, and commitments set forth in
27 the original application, the department's memorandum of
28 understanding with the G-TEDA, and the G-TEDA's biennial
29 report.

30 (f) G-TEDAs that fail to submit a timely biennial report to the
31 department shall be audited pursuant to Section 7076.1. This
32 subdivision shall apply to all reports due on or after October 1,
33 2014.

34 SEC. 9. Section 7085.5 of the Government Code is amended
35 to read:

36 7085.5. The Franchise Tax Board shall annually make available
37 to the department and the Legislature information, to the extent it
38 is reasonably available, by enterprise zone and by city or county,
39 on the dollar value of the G-TEDA tax credits and other G-TEDA
40 tax incentives that are claimed each year by businesses and shall

1 design and distribute forms and instructions that will allow the
2 following information to be accessible:

3 (a) The total number of jobs for which the hiring credits are
4 claimed.

5 (b) The number of businesses claiming each individual tax
6 credit.

7 (c) The nature of the business claiming each individual tax
8 credit.

9 (d) The distribution of zone tax incentives among industry
10 groups.

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

13 (f) The total cost of qualified property put into service within
14 enterprise zones during the previous five taxable years. In
15 determining these amounts, qualified property put into service
16 within enterprise zones shall have the same meaning as defined in
17 Sections 17053.70 and 23612.2 of the Revenue and Taxation Code.

18 (g) Any other information that the Franchise Tax Board and the
19 department deem to be important in determining the cost to, and
20 benefit derived by, the taxpayers of the state.

21 *SEC. 10. This act is an urgency statute necessary for the*
22 *immediate preservation of the public peace, health, or safety within*
23 *the meaning of Article IV of the Constitution and shall go into*
24 *immediate effect. The facts constituting the necessity are:*

25 *In order to ensure the public good by providing certainty*
26 *regarding the incentives available for attracting and retaining*
27 *jobs in economically distressed areas of the state and businesses*
28 *in enterprise zones, it is necessary that this act take effect*
29 *immediately.*

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