

AMENDED IN ASSEMBLY SEPTEMBER 3, 2013

AMENDED IN ASSEMBLY MARCH 21, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 495

Introduced by Assembly Member Campos

February 20, 2013

An act to add Article 6 (commencing with Section 12099.1) to Chapter 1.6 of Part 2 of Division 3 of Title 2 to the Government Code, relating to ~~Community~~ *community* investment.

LEGISLATIVE COUNSEL'S DIGEST

AB 495, as amended, Campos. Community investment.

Existing law authorizes the Governor's Office of Business and Economic Development to, among other things, advance statewide economic goals.

This bill would establish the California Community Investment Initiative within the Governor's Office of Business and Economic development. The initiative would be governed by a 13 member ~~oversight board~~ *Coordination and Oversight Council* comprised of 6 citizens appointed by the Governor, 4 members of the Legislature, the Treasurer, the Controller, and the Secretary of the Business, Consumer Services, and Housing Agency, as specified.

The initiative would be required to create ~~an inventory~~ *a database* of low-income neighborhoods, ~~public internments, state and local programs, and sources of public-sector finance,~~ *compile and maintain an inventory of California public sector funding resources and financing mechanisms,* coordinate ~~public-sector~~ *public sector* financial investment and public programs to assist low-income communities to become business,

development, and investment ready, develop criteria for ~~determining the type of economically, socially, and environmentally responsible businesses and real estate developments to assist in starting up, locating, and growing in low-income neighborhoods, establish a broad array of incentives to encourage responsible businesses and real estate developments to grow in low income neighborhoods and to encourage investment in low income neighborhoods, assist with formulating Community Development Strategies with associated Zoning and Area Plans, report annually to the Legislature and the Governor on whether the initiative has met the criteria established for measuring the economic, social, and environmental returns, and establish the California Community Investment Network, as specified~~ *triple bottom-line equity funds, establish overall triple bottom-line goals and standardized metrics for economic, social, and environmental outcomes to be accepted by eligible equity funds, survey counties and cities to identify and inventory local governments that want to partner with triple bottom-line equity funds to invest in low-income neighborhoods, establish and convene regular meetings of the California Community Investment Network comprised of organizations and institutions with expertise and resources to advise the Coordination and Oversight Council and eligible equity fund managers, and report annually to the Legislature and the Governor on the status and progress of the California Community Investment Initiative and performance on goals and triple bottom-line outcomes, as specified.*

This bill would also make legislative findings and declarations.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

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

- 1 SECTION 1. This act shall be known and may be cited as the
- 2 California Community Investment Initiative.
- 3 SEC. 2. The Legislature finds and declares all of the following:
- 4 (a) Despite having the largest state economy in the United States,
- 5 California has the highest poverty rate of any state, with nearly a
- 6 quarter of its residents living in poverty.
- 7 (b) In this era of public budget constraints, ~~public-sector~~ *public*
- 8 *sector* dollars are insufficient to solve the problems of low-income
- 9 neighborhoods. Therefore, ~~private-sector~~ *private sector* market

1 forces need to be engaged to make substantial investments that
2 produce a risk adjusted market rate of return.

3 (c) Low-income neighborhoods constitute domestic emerging
4 markets with significant purchasing power and location
5 efficiencies, but suffer from social, public safety, broadband, and
6 physical infrastructure problems that contribute to market
7 prejudices that lead to disinvestment.

8 (d) To overcome these problems and market prejudices,
9 low-income neighborhoods need to become business, development,
10 and investment-ready through a partnership of government,
11 ~~private-sector~~ *private sector*, community, and the environmental
12 leaders focused on generating coordinated, focused, effective
13 human services, public safety, broadband, workforce, education,
14 and physical infrastructure.

15 (e) A new class of ~~business and~~ real estate *and business*
16 developments ~~are~~ *is* emerging that ~~are~~ *actively pursuing* *pursues*
17 economically, socially, and environmentally responsible outcomes.
18 *These real estate and business developments often are the result*
19 *of investments from private sector equity funds that generate*
20 *market-rate returns to investors, but are also legally committed*
21 *to improving social and environmental conditions and*
22 *characteristics for the existing residents in these neighborhoods.*
23 *These private sector investment mechanisms often are referred to*
24 *as “triple bottom-line” equity funds.*

25 (f) ~~Businesses and real estate developments of this type that~~
26 *Triple bottom-line equity funds and the real estate and business*
27 *developments resulting from them* are helping to reduce poverty
28 and improve the social and environmental dynamics of low-income
29 ~~neighborhoods can benefit from coordinated state assistance.~~
30 *neighborhoods. Triple bottom-line equity investments can be*
31 *encouraged and the benefits from them can be enhanced and*
32 *accelerated by coordinated assistance from existing State of*
33 *California programs and funding resources.*

34 (g) Many of these neighborhoods are at transit hubs or have the
35 transit and mixed-use characteristics in place to make development
36 in them more climate friendly than development elsewhere.

37 (h) The State of California should encourage responsible
38 businesses and real estate developments to locate and do business
39 in business and development-ready low-income neighborhoods in

1 ways that solve economic, social, and environmental problems
 2 rather than ~~causing~~ *cause* them.

3 (i) To accomplish this, ~~the State of California needs a~~ *intends*
 4 *to establish the California Community Investment Initiative and*
 5 ~~regional Community Development Strategies to assist low-income~~
 6 ~~neighborhoods and the cities, counties, and regions where they are~~
 7 ~~located to become business, development, and investment-ready.~~
 8 *to assist low-income neighborhoods by encouraging private sector*
 9 *investment consistent with the economic development and*
 10 *community improvement strategies of the cities, counties, and*
 11 *regions where they are located. It is the intent of the State of*
 12 *California that such private sector investment is accomplished*
 13 *without permanent displacement of existing residents in low-income*
 14 *neighborhoods.*

15 SEC. 3. Article 6 (commencing with Section 12099.1) is added
 16 to Chapter 1.6 of Part 2 of Division 3 of Title 2 of the Government
 17 Code, to read:

18

19 Article 6. California Community Investment Initiative

20

21 12099.1. (a) The California Community Investment Initiative
 22 is hereby ~~created~~ *established* within the Governor’s Office of
 23 Business and Economic Development *to encourage private sector*
 24 *investment in low-income neighborhoods to improve the economic,*
 25 *environmental, and social conditions for the existing residents,*
 26 *thereby helping improve the overall economic, environmental, and*
 27 *social well-being for California. The California Community*
 28 *Investment Initiative shall be supported and* staffed by the
 29 Governor’s Office of Business and Economic Development using
 30 existing resources.

31 (b) The California Community Investment Initiative shall be
 32 governed by a 13 member ~~oversight board made up of:~~
 33 *Coordination and Oversight Council comprised of:*

34 (1) Six persons appointed by the Governor, comprised of three
 35 citizens with ~~private-sector~~ *private sector* business or investment
 36 expertise and three citizens with community development expertise.

37 (2) Four members of the Legislature, two from the Senate
 38 appointed by the President pro Tempore of the Senate, one from
 39 each of the two political parties with the most representatives in
 40 the Senate, and two from the Assembly appointed by the Speaker

1 of the Assembly, one from each of the two political parties with
2 the most representatives in the Assembly. The members shall have
3 relevant program expertise to contribute to the initiative. The
4 members shall be nonvoting members of the ~~oversight board~~
5 *Coordination and Oversight Council* and shall participate in the
6 activities of the ~~board~~ *council* only to the extent that their
7 participation is compatible with their respective positions as
8 Members of the Legislature.

9 (3) The Treasurer.

10 (4) The Controller.

11 (5) The Secretary of the Business, Consumer Services, and
12 Housing Agency.

13 12099.2. The California Community Investment Initiative shall
14 do all of the following:

15 (a) ~~Create an inventory~~ *Develop and annually update a database*
16 *of low-income neighborhoods, public interments, state and local*
17 *programs, and sources of public-sector finance, including*
18 *descriptions of asset size, underwriting criteria, decisionmaking*
19 *process, and other characteristics. The neighborhoods in California*
20 *by county and city with relevant information about each*
21 *neighborhood, including socio-economic demographic data,*
22 *descriptions of pertinent characteristics to inform private sector*
23 *invests, such as local land use plans and zoning or other*
24 *development designations, and commitments from local*
25 *governments to support private sector investments. The*
26 *Coordination and Oversight Council shall adopt criteria for an*
27 *eligible low-income neighborhood.*

28 (b) *Compile and maintain a current inventory of California*
29 *public sector funding resources and financing mechanisms that*
30 *may be allocated to or utilized in low-income neighborhoods with*
31 *a description of the amount of available funding, criteria for*
32 *allocation, and application and decisionmaking criteria. The*
33 *inventory shall examine all of the following: assess the role and*
34 *impact of all of the following entities and programs on low-income*
35 *neighborhoods:*

36 (1) California Department of Insurance Organized Investment.

37 (2) Federal and State Low-Income Housing Tax Credit Program.

38 (3) California Alternative Energy and Advanced Transportation
39 Financing Authority.

40 (4) California Pollution Control Financing Authority.

- 1 (5) California Transportation Financing Authority.
- 2 (6) Industrial Development Finance Authority.
- 3 (7) The California Infrastructure and Economic Development
- 4 Bank.
- 5 (8) *Health and Human Services Agency.*
- 6 (9) *State Department of Education.*
- 7 (10) *Natural Resources Agency.*
- 8 (11) *Energy Commission.*
- 9 (12) *Public Utilities Commission.*
- 10 ~~(8)~~
- 11 (13) *Local transportation authorities and the Transportation*
- 12 ~~funding through the Metropolitan Planning Agencies. Agency,~~
- 13 *including all transportation funding proposed by the Department*
- 14 *of Transportation or allocated by the California Transportation*
- 15 *Commission for expenditure by state or metropolitan planning*
- 16 *organizations.*
- 17 ~~(b)~~
- 18 (c) ~~Coordinate public-sector~~ *public sector* financial investment
- 19 and public programs to assist low-income communities to become
- 20 business, development, and investment ready or complement
- 21 private sector triple bottom-line equity fund investments. These
- 22 programs shall include *at least the following purposes:*
- 23 (1) ~~=====~~ *Economic development, including research and*
- 24 *development, manufacturing, and real estate development that*
- 25 *generates in jobs.*
- 26 (2) ~~=====~~ *Housing rehabilitation and construction.*
- 27 (3) *School construction, education, and academic performance*
- 28 *improvement.*
- 29 (4) *Workforce preparation and training.*
- 30 (5) *Public safety, community policing, crime prevention,*
- 31 *rehabilitation, and probation.*
- 32 (6) *Public health, social services, and other human services.*
- 33 (7) *Mental health services.*
- 34 (8) *Alcohol and other drug abuse prevention and treatment.*
- 35 (9) *Recreation and community arts and music programs.*
- 36 (10) *Transportation and other mobility infrastructure, including*
- 37 *public transit, walkways, and bicycle paths.*
- 38 (11) *Other infrastructure, including water, sewer, solid waste,*
- 39 *recycling, and lighting.*

- 1 (12) *Broadband deployment for high-speed Internet access,*
2 *other information technology infrastructure, and smart grid.*
- 3 (13) *Energy efficiency, weatherization, and renewable energy*
4 *resources.*
- 5 (14) *Environmental quality, resource recycling, community*
6 *gardens, and local food sourcing services.*
- 7 (15) *Homeless facilities and services.*
- 8 (e)
- 9 (d) ~~Develop and adopt criteria for determining the type of~~
10 ~~economically, socially, and environmentally responsible businesses~~
11 ~~and real estate developments to assist in starting-up, locating, and~~
12 ~~growing in low-income neighborhoods. eligible triple bottom-line~~
13 ~~equity funds that invest in enterprises and employers that generate~~
14 ~~permanent jobs, including investments to assist in starting-up,~~
15 ~~locating, and expanding employers in low-income neighborhoods.~~
16 *These criteria shall include the spirit and intent of the*
17 *preponderance of the following criteria as refined and adopted by*
18 *the Coordination and Oversight Council:*
 - 19 (1) ~~Commitment to locate investments in a low-income~~
20 ~~neighborhood.~~
 - 21 (2) ~~Generation of living wage jobs with benefits for~~
22 ~~low-income residents.~~
 - 23 (3) ~~Projected multiplier effect for generation of~~
24 ~~additional employment.~~
 - 25 (4) *Provision of employment benefits, such as health care,*
26 *retirement plans, profit sharing, and employee stock ownership.*
 - 27 (5) *Commitment to local hiring and job training.*
 - 28 (6) *Engagement of local, women, and minority business*
29 *enterprises as suppliers and contractors.*
 - 30 (7) *Development and sponsorship of employee training*
31 *programs, including job training and financial education.*
 - 32 (8) *Provision of on site or nearby child care for children of*
33 *employees.*
 - 34 (9) *Use of green building design, construction, renovation, or*
35 *operations.*
 - 36 (10) *Implementation of energy and other resource efficiency,*
37 *recycling, or pollution prevention programs.*
 - 38 (11) *Deployment of broadband high-speed Internet access and*
39 *other information technologies to support and increase productivity*
40 *and reduce impacts on the environment.*

- 1 (12) *Implementation of workplace safety or effective ergonomic*
- 2 *programs.*
- 3 (13) *Engagement with the local community through volunteer*
- 4 *organizations, local school support programs, and other*
- 5 *community initiatives.*
- 6 (14) *Production of economically, socially, or environmentally*
- 7 *beneficial products and services.*
- 8 (15) *Receipt of green business certification.*
- 9 (16) *Production of Corporate Social Responsibility (CSR),*
- 10 *Corporate Sustainability, and Creating Shared Value (CSV)*
- 11 *reporting.*
- 12 ~~(d) Establish a broad array of incentives to encourage~~
- 13 ~~responsible businesses and real estate developments to grow in~~
- 14 ~~low-income neighborhoods and to encourage investment in~~
- 15 ~~low-income neighborhoods. These incentives shall include:~~
- 16 ~~(1) Environmental and entitlement regulatory incentives.~~
- 17 ~~(2) Integrated public agency assistance incentives.~~
- 18 ~~(e) Assist with formulating Community Development Strategies~~
- 19 ~~with associated Zoning and Area Plans that will help low income~~
- 20 ~~neighborhoods and the cities, counties, and regions where they are~~
- 21 ~~located to become business, development, and investment ready.~~
- 22 ~~(f) Report annually to the Legislature and the Governor on~~
- 23 ~~whether the initiative has met the criteria established for measuring~~
- 24 ~~the economic, social, and environmental returns on the investments~~
- 25 ~~made pursuant to this article.~~
- 26 (e) *Develop and adopt criteria for eligible triple bottom-line*
- 27 *equity funds that invest in real estate developments to assist in*
- 28 *constructing, expanding, renovating, and rehabilitating buildings*
- 29 *in low-income neighborhoods that accommodate all allowed land*
- 30 *use approved and permitted by the local government land use*
- 31 *regulations. The criteria shall include the spirit and intent of the*
- 32 *following, as refined and adopted by the Coordination and*
- 33 *Oversight Council:*
- 34 (1) *Commitment to locate investments in a low-income*
- 35 *neighborhood.*
- 36 (2) *Consistency of development with local government land use*
- 37 *plans and alignment with local government priorities.*
- 38 (3) *Generation of construction jobs with living wages and*
- 39 *benefits.*

- 1 (4) *Establishment of job training and apprentice programs for*
2 *local residents.*
- 3 (5) *Ownership or equity participation by a local, woman, or*
4 *minority developer or use of local, women, or minority business*
5 *enterprises as contractors or subcontractors.*
- 6 (6) *Construction of affordable housing, especially as part of a*
7 *larger mixed-income, mixed-use project to optimize synergies*
8 *among land uses.*
- 9 (7) *Generation of permanent living wage jobs.*
- 10 (8) *Retention or generation of permanent living wage jobs.*
- 11 (9) *Use of green construction materials and practices.*
- 12 (10) *Incorporation of energy efficiencies, waste reduction, and*
13 *renewable energy resources.*
- 14 (11) *Implementation of smart development practices deploying*
15 *broadband for high-speed Internet access for smart infrastructure*
16 *and smart buildings, optimizing the utility of a smart grid.*
- 17 (12) *Incorporation of a multimodal transportation system that*
18 *optimizes walking, bicycling, public transit, and other strategies*
19 *to reduce single-occupant vehicle trips.*
- 20 (13) *Design of development consistent with the concept and*
21 *principles for livable communities.*
- 22 (14) *Accommodation of green and clean technology employers.*
- 23 (15) *Implementation of low-impact development practices*
24 *incorporating native vegetation, soil preservation, water use*
25 *conservation, recycling and other efficiencies, and pervious*
26 *pavement.*
- 27 (16) *Incorporation of parks, recreational areas, open spaces,*
28 *and other environmental amenities.*
- 29 (17) *Accommodation of locations for small and local businesses.*
- 30 (18) *Establishment of space for neighborhood organizations,*
31 *community centers, child care centers, and other nonprofit*
32 *community-based organizations.*
- 33 (19) *Use of bio-regional development practices connecting local*
34 *and regional sustainable food production with urban consumption.*
- 35 (20) *Acquisition of LEED certification for buildings and*
36 *neighborhoods.*
- 37 (f) *Establish overall triple bottom-line goals and standardized*
38 *metrics for economic, social, and environmental outcomes that*
39 *shall be accepted by all eligible equity funds.*

1 (g) Gather evidence and conduct public forums to identify a
 2 broad array of incentives that will encourage triple bottom-line
 3 equity fund investments in low-income neighborhoods and take
 4 the following actions:

- 5 (1) Prepare a report to the Legislature and Governor.
- 6 (2) Establish incentives for which there is existing legal and
 7 regulatory authority.
- 8 (3) Recommend appropriate amendments to existing laws and
 9 regulations and work with the Legislature and the Governor to
 10 secure adoption.

11 (h) Survey counties and cities to identify and inventory local
 12 governments that want to partner with triple bottom-line equity
 13 funds to invest in low-income neighborhoods. This survey shall
 14 determine if the local government has done any of the following:

- 15 (1) Approved within the last 10 years a general plan, specific
 16 plan, or other land use plan or zoning regulation on which an
 17 investor can rely to govern and control development.
- 18 (2) Identified local public funding or other resources that have
 19 been or will be committed to the low-income neighborhood to
 20 complement a triple bottom-line equity fund investment.
- 21 (3) Designated a person to coordinate alignment of public
 22 resources and implementation of development plans with a fund
 23 manager.
- 24 (4) Established county and city school integrated human services
 25 teams to serve the low-income neighborhood with goals and
 26 accountability to increase employment, improve education, reduce
 27 poverty, reduce crime, and improve health status.

28 (5) Committed to cooperate in and assist with monitoring and
 29 tracking performance outcomes in the low-income neighborhoods.

30 (i) Establish and convene regular meetings of the California
 31 Community Investment Network comprised of organizations and
 32 institutions with expertise and resources to advise the Coordination
 33 and Oversight Council and eligible equity fund managers.

34 (j) Report annually to the Legislature and the Governor on the
 35 status and progress of the California Community Investment
 36 Initiative and performance on goals and triple bottom-line
 37 outcomes pursuant to subdivision (f).

38 12099.3. (a) The California Community Investment Initiative
 39 shall ~~establish the California Community Investment Network.~~
 40 ~~This network shall do all of the following:~~ encourage significant

1 *private sector commitment, cooperation, and collaboration to*
2 *invest private capital in low-income neighborhoods through*
3 *eligible triple bottom-line equity funds. The California Community*
4 *Investment Initiative shall give priority consideration for award*
5 *of state assistance from public resources, herein identified, to*
6 *low-income neighborhoods into which investments are being made*
7 *by each fund that is capitalized with at least one billion dollars*
8 *(\$1,000,000,000) in investment funds. The Coordination and*
9 *Oversight Council shall adopt criteria and a process for*
10 *prioritizing assistance to low-income neighborhoods into which*
11 *investments are being made by triple bottom-line equity funds that*
12 *are capitalized with less than one billion dollars (\$1,000,000,000)*
13 *in investment funds.*

14 ~~(a) Establish the California Family of Funds. The California~~
15 ~~Family of Funds shall consist of venture funds and real estate~~
16 ~~funds.~~

17 ~~(b) Invite top quartile investment fund managers to become the~~
18 ~~managing partners of the venture and real estate funds and to~~
19 ~~affiliate with a not-for-profit organization as a special limited~~
20 ~~partner.~~

21 ~~(c) Provide assistance to the managing partners and the special~~
22 ~~limited partner in raising five hundred million dollars~~
23 ~~(\$500,000,000) in assets for the venture funds and five hundred~~
24 ~~million dollars (\$500,000,000) in assets for the real estate funds~~
25 ~~from private sector investors, institutional investors, and~~
26 ~~foundations.~~

27 ~~(d) Fund managers, with assistance from the special limited~~
28 ~~partner, in turn, shall:~~

29 ~~(1) Identify investment funds with a substantial positive,~~
30 ~~economic, social, and environmental impact on low income~~
31 ~~individuals and communities and a financial return at or above~~
32 ~~market rate.~~

33 ~~(2) Make investments in funds that meet the criteria set forth in~~
34 ~~subparagraph (1).~~

35 ~~(3) Work with funds the initiative has invested in to assist them~~
36 ~~in accomplishing the stated objectives.~~

37 *(b) The Coordination and Oversight Council shall adopt criteria*
38 *for an eligible triple bottom-line equity fund that shall include at*
39 *least the following:*

- 1 (1) *The fund shall be legally structured to comply with both the*
2 *spirit and intent of the preponderance of the relevant criteria*
3 *delineated in subdivisions (d) and (e) of Section 12099.2, as refined*
4 *and adopted by the Coordination and Oversight Council, including*
5 *triple bottom-line goals and outcomes with explicit metrics.*
6 (2) *The fund shall be managed by a reputable fund manager*
7 *with a track record of experience and performance with triple*
8 *bottom-line funds.*
9 (3) *The fund shall be prepared by experienced personnel to lead*
10 *and manage implementation of coordinated state and local*
11 *government public funding or other resources. This shall be*
12 *accomplished either by the fund manager or through a contractual*
13 *relationship between the fund manager and an appropriate*
14 *nonprofit organization.*
15 (4) *The fund shall be committed to working with relevant local*
16 *government jurisdictions to optimize the alignment of state public*
17 *funding and resources and local government funding and*
18 *resources.*
19 (5) *The fund shall be organized to track performance and report*
20 *metrics for triple bottom-line goals and outcomes.*
21 (c) *If requested by a local jurisdiction, the California Community*
22 *Investment Initiative shall provide technical assistance to review,*
23 *refine, and advise on local land use plans and zoning to increase*
24 *attraction of private investment by triple bottom-line equity funds.*