

AMENDED IN SENATE APRIL 2, 2013

SENATE BILL

No. 431

Introduced by Senator Price

February 21, 2013

An act to add Article 6 (commencing with Section 12099) to Chapter 1.6 of Part 2 of Division 3 of Title 2 of the Government Code, relating to economic development, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 431, as amended, Price. ~~Local government: economic development.~~ *Economic development: California Socioeconomic Development Pods Program.*

Existing law establishes the Governor's Office of Business and Economic Development, which is administered by a director appointed by the Governor. The office serves the Governor as the lead entity for economic strategy and the marketing of California on issues relating to business development, private sector investment, and economic growth. Existing law provides for various economic development programs that foster community sustainability and community and economic development initiatives throughout the state.

This bill would establish the California Socioeconomic Development Pods Program within the Governor's Office of Business and Economic Development to encourage the use of social innovative financing, as defined, within blighted areas in the state. The bill would also create the Pod Accelerator Fund, a continuously appropriated fund, within the State Treasury, to receive moneys collected and received by the Governor's Office of Business and Economic Development for the California Socioeconomic Development Pod Program from gifts, bequests, or donations.

This bill would express the intent of the Legislature to enact legislation that would implement a regional pilot program or programs in low income regions of the state that would encourage the growth of a unique industry not common to that region, and retrain the community through social innovative financing to meet the industry’s workforce needs.

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

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

1 SECTION 1. Article 6 (commencing with Section 12099) is
2 added to Chapter 1.6 of Part 2 of Division 3 of Title 2 of the
3 Government Code, to read:

4
5 Article 6. California Socioeconomic Development Pods
6 Program
7

8 12099. The Legislature finds and declares all of the following:

9 (a) Job creation is a critical part of improving the economic
10 well-being of the state’s designated blighted neighborhoods.

11 (b) Introducing new industries into these blighted areas, such
12 as high-tech, biomed and genomics, space technology, and
13 manufacturing industries, and coupling them with social innovative
14 financing to provide the resources needed to retrain the community
15 will help to create employment opportunities at an accelerated
16 rate, which will lead to the state’s improved financial health and
17 economic competitiveness.

18 (c) In order to maintain a healthy state economy and to aid
19 communities, social and economic development must occur
20 simultaneously.

21 (d) The socioeconomic development pods are operated in
22 California through a cooperative agreement between the
23 Governor’s Office of Business and Economic Development and
24 initially two geographically distinct regions, all of which are
25 partnered with public universities, community college districts,
26 local governments, research institutions, industry, social innovative
27 financing networks, and traditional financial institutions. The
28 socioeconomic development pods are California’s premier tool
29 for facilitating growth and socioeconomic development within
30 underrepresented and low-income communities in California.

1 *Providing residents of these communities with viable employment*
2 *opportunities through the creation and retention of jobs in the*
3 *newly developed industry will facilitate a change in demographics*
4 *and economic outcomes of the designated neighborhood by*
5 *removing the “blighted” stigma permanently.*

6 *(e) Social innovative financing is characterized by the following*
7 *steps:*

8 *(1) A governmental entity contracts with an intermediary to*
9 *obtain a service.*

10 *(2) Private investors provide the funding for the service to the*
11 *intermediary.*

12 *(3) The intermediary then distributes the money to the service*
13 *provider.*

14 *(4) The intermediary issues a “pay for success contract” to the*
15 *investor.*

16 *(5) The government is responsible for paying investors the*
17 *principal and agreed-upon interest earned if and only if the*
18 *benchmarks are met.*

19 *12099.1. For purposes of this article, the following terms shall*
20 *be defined as follows:*

21 *(a) “Blighted community” means an area that was previously*
22 *a functioning city, or part of a city, that has fallen into disrepair*
23 *and decrepitude. A blighted community may feature*
24 *deindustrialization, depopulation or changing population,*
25 *economic restructuring, abandoned buildings, high local*
26 *unemployment, fragmented families, political disenfranchisement,*
27 *crime, and a desolate, inhospitable city landscape.*

28 *(b) “Pod” means a specific geographical area designated as*
29 *“blighted” or underrepresented, identified and developed into a*
30 *pod by ZIP Codes, including or close to a university, research*
31 *facility, or community college within the designated ZIP Codes.*

32 *(c) “Socioeconomic development” means the process of social*
33 *and economic development in a society. Socioeconomic*
34 *development is measured with indicators such as gross domestic*
35 *product, life expectancy, literacy, and levels of employment.*
36 *Socioeconomic development also includes changes in less tangible*
37 *factors, such as personal dignity, freedom of association, personal*
38 *safety and freedom from fear of physical harm, and the extent of*
39 *participation in civil society.*

1 (d) “Socioeconomic development pod” means a hybrid urban
2 enterprise zone that utilizes some of the incentives of the urban
3 enterprise zone to encourage certain industries to develop in a
4 designated blighted area where retraining of the community is
5 financed by social innovative financing. Social redevelopment and
6 economic redevelopment occurs simultaneously.

7 (e) “Social innovative financing” means an approach to
8 expanding social programs whereby the government pays a service
9 provider based on the results delivered, as opposed to the activities
10 performed. Social innovative financing means a partnership in
11 which philanthropic funders and impact investors take on the
12 financial risk of scaling up social programs.

13 12099.2. (a) The California Socioeconomic Development Pod
14 Program is hereby created within the office.

15 (b) The office shall designate socioeconomic development pods
16 within the state to stimulate partnerships, economic development,
17 and job creation by leveraging assets to provide stimulation and
18 incentives for industry, economic development organizations,
19 business groups, and social innovation funders. The assets may
20 include, but are not limited to, research parks, technology
21 incubators, universities, and federal laboratories.

22 (c) The office shall oversee, coordinate, and provide assistance
23 to each socioeconomic development pod.

24 12099.3. (a) The office shall identify blighted areas suited for
25 the California Socioeconomic Development Pod Program.

26 (b) The office shall include, but not be limited to, any of the
27 following in the designation of a pod:

28 (1) A statement of purpose.

29 (2) A signed statement of cooperation and a description of the
30 roles and relationships of each entity involved in the partnership.

31 (3) A designated socioeconomic development pod coordinator.

32 (4) A clear explanation and map conveying the pod’s physical
33 boundary.

34 (5) A clearly identified designee to coordinate pod activities.

35 (6) A clearly identified central location.

36 (7) Clearly identified benchmarks or milestones with
37 approximate dates as to when they will be achieved.

38 (8) A list and brief description of local and regional incentives
39 and support programs.

40 (9) A list of the pod’s assets and resources.

1 (10) A clearly articulated focus area of the pod, including
2 industry sectors or other targeted areas for development and
3 growth.

4 (11) A list of specific resources available to support and guide
5 training.

6 (12) Expectations for job development and business creation.

7 (13) Defined performance standards agreed upon by the
8 partners involved in the development of the pod.

9 (14) Evaluation procedures that will be used to measure the
10 level of achievement for each stated goal.

11 (15) A plan for sustainability.

12 12099.4. (a) A designated pod shall include at least one major
13 university or research center or institute, one economic
14 development organization, and at least two of the following:

15 (1) A business support organization including a workforce
16 development or training organization, incubator or business
17 accelerator, chamber of commerce, and networking organization
18 that supports innovation.

19 (2) An educational consortium including technology training
20 representatives.

21 (3) A social innovative financing network including traditional
22 investors.

23 (4) A community-based organization specializing in retraining,
24 reducing recidivism, or homelessness.

25 (5) A municipal economic development division or department.

26 (6) A federal government partner.

27 12099.5. (a) A pod may, but is not be limited to doing, any of
28 the following:

29 (1) Provide counseling and technical assistance, either by direct
30 or indirect services, in the areas of retraining or reduction in
31 recidivism.

32 (2) Conduct workshops, seminars, or conferences with local
33 partners including, but not limited to, state universities, state
34 community colleges, local governments, state and federal service
35 providers, private industry, workforce investment boards and
36 agencies, small business service agencies, economic development
37 organizations, or chambers of commerce.

38 (3) Facilitate partnerships between innovative startup
39 businesses, research institutions, and venture capitalists or
40 financial institutions.

1 (b) The pod shall, to the extent feasible, do all of the following:

2 (1) Perform activities in close collaboration with the office as
3 its primary statewide partner.

4 (2) Coordinate activities with the Employment Training Panel,
5 the California Workforce Investment Board, the Office of the
6 Chancellor of the California Community Colleges, the University
7 of California, the California State University, and other state
8 economic and workforce development programs.

9 12099.6. (a) Notwithstanding any other law, the office may,
10 with the consent of the Director of the Department of General
11 Services, use vacant or underused state-owned or leased property,
12 or both, that is controlled by the Department of General Services
13 for purposes including, but not limited to, assisting Pods in the
14 establishment of incubators and demonstration sites.

15 (b) State property under this section, when authorized by law,
16 may be used as matching funds to meet federal funding
17 requirements.

18 12099.7. (a) The office may authorize a business or nonprofit
19 organization to use a state-owned or leased property, or both,
20 pursuant to Section 12099.6.

21 (b) State-owned or leased property under this section shall be
22 used only in furtherance of this chapter.

23 12099.8. The Pod Accelerator Fund is hereby created within
24 the State Treasury. Subject to the approval of the Department of
25 Finance, all moneys collected and received by the Governor's
26 Office of Business and Economic Development for the California
27 Socioeconomic Development Pod Program from gifts, bequests,
28 or donations shall be deposited in the Pod Accelerator Fund.
29 Notwithstanding Section 13340, the moneys in the fund are
30 continuously appropriated to the office to be used for the California
31 Socioeconomic Development Pod Program pursuant to the terms
32 of the gift, bequest, or donation.

33 ~~SECTION 1. It is the intent of the Legislature to enact~~
34 ~~legislation that would implement a regional pilot program or~~
35 ~~programs in low income regions of the state that would encourage~~
36 ~~the growth of a unique industry not common to that region, and~~
37 ~~retrain the community through social innovative financing to meet~~
38 ~~the industry's workforce needs.~~

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