

AB 690 (Campos)

Jobs and Infrastructure Districts

As Proposed to Be Amended
April 8, 2013

Bill Summary

AB 690 seeks to create jobs for California's 1.8 million unemployed workers by providing local communities with the capital they need to fund development projects through public-private partnerships. Specifically, AB 690 would permit the use of property tax increment financing as a public financing tool to create jobs by promoting business investment exclusively in areas of high unemployment. It enables local municipalities to create a Jobs and Infrastructure District to provide incentives to employers that create new permanent jobs either by creating a new business or expanding an existing business.

Existing Law

California has had a longstanding public policy of providing local communities with economic development tools. One of these key tools is property tax increment financing (TIF), which was authorized more than 60 years ago.

The concept behind TIF is that expanded public and private sector facilities can boost the value of nearby property. Higher property values produce higher property tax revenues. The tax increment is the difference between the old tax revenue from a parcel of property without new development (say \$100) and the new tax revenue from the same parcel of property with new development on it (say \$110). In this example, the additional \$10 is the tax increment. Property tax increment financing uses the increment to pay for bonds that provide the upfront funding for development projects.

In California, TIF has been available to cities and counties as an economic development tool primarily through two programs:

- 1) Infrastructure Financing Districts (IFDs) program to pay for community scale public works: highways, transit, water systems, sewer projects, flood control, child care facilities, libraries, parks, and solid waste facilities. The use of TIF by IFDs requires 2/3 voter approval.
- 2) Redevelopment Agencies (RDA), which are now defunct, to attract capital to private development projects to address *blight*. The use of TIF by RDAs did not require voter approval.

As noted above, forming an IFD under existing law is cumbersome. The city or county must develop an infrastructure plan, send copies to every landowner, consult with other local governments, and hold a public hearing. Every local agency that will contribute its property tax increment revenue to the IFD must approve the plan. Once the other local officials approve, the city or county must then get the voters' approval with 2/3 of the vote.

Need for AB 690

Nearly three years into the current recovery from the national recession, California still has the third highest unemployment rate in the nation at 9.7%. 42 California counties have an unemployment rate more than 9%, 13 of which are above 15%. With this many Californians out of work, there is a critical need for economic development in communities throughout the state. Cities and counties are looking for an economic development tool that is specific to creating jobs on a large scale.

That is why AB 690 is focused exclusively on using TIF for a new purpose—job creation.

TIF is recognized nationwide as the standard financing tool for economic development. However, California is one of only three states without TIF for public/private projects.

What AB 690 Does

AB 690 is a jobs bill that uses property tax increment financing to create jobs.

AB 690 authorizes local government agencies to create a Jobs and Infrastructure District (JID) similar to an IFD for the purposes of generating jobs.

AB 690 modifies the existing IFD program by:

- Focusing exclusively on job creation;
- Expanding it to commercial projects;
- Making military bases eligible;
- Applying it to the replacement of existing facilities in order to encourage infill projects; and
- Applying it to brownfield remediation.

In order to create a JID and use TIF to issue bonds, a local government agency must:

- Limit the JID to areas of the state with an unemployment rate of higher than 7%.
 - An area can be defined as a census tract.
- Prepare a job creation plan that:
 - Demonstrates that for every \$1 million invested in tax increment or private capital, 10 permanent new fulltime jobs will be created within two years of start of construction;
 - Requires construction jobs to pay prevailing wage; and
 - Seeks to reduce the district's unemployment rate to the national average rate or 5%, whichever is lower.

In recognition of the recession's impact on school funding, AB 690 limits the amount of tax increment financing that can be used from school and community college districts to 50%. It also allows JIDs to fund workforce training.

Given the state's immediate need to address its high unemployment rate, AB 690 also removes barriers for creating a JID by allowing them to be formed without: 1) voter approval or 2) approval from other local taxing agencies.

Support

- Association of Commercial Real Estate, Northern and Southern California
- Building Owners and Managers Association California
- California Business Properties Association
- California Business Roundtable
- California Chapters of the Commercial Real Estate Development Association
- California Contract Cities Association
- California Downtown Association
- Central City Association
- City of Paramount
- City of Selma
- Coachella Valley Economic Partnership
- Institute of Real Estate Management
- International Council of Shopping Centers
- Los Angeles County Business Federation (BizFed)
- Los Angeles County Division, League of California Cities
- Retail Industry Leaders Association

Opposition

California Taxpayers Association

For More Information

Sailaja Rajappan

Chief of Staff

Assembly Speaker pro Tempore Nora Campos

916-319-2027: Office

916-319-2127: Fax

sailaja.rajappan@asm.ca.gov