



**Date:** May 15, 2002  
**To:** Inter-Regional Partnership  
**From:** IRP Staff  
**RE:** Incentives for Job/Housing Opportunity Zones

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## **Background**

At previous meetings, the Inter-Regional Partnership identified and prioritized several incentives to be directed to the Jobs/Housing Opportunity Zones. Staff has been directed to pursue these incentives through legislative and administrative processes. This report and its attachment outlines the current status of the incentives work, as well as proposed legislative language to replace or be added into an existing piece of legislation (AB 499 Cogdill). To date, no incentives have been secured for the Jobs/Housing Opportunity Zones.

## **Discussion**

### Identified Incentives and Current Status

The incentives that have been identified as a priority for the Jobs/Housing Opportunity Zone applicants, and therefore the initial focus of work, include:

- Tax Increment Financing
- Enterprise Zone Status
- Priority Status for Zones in State Programs
  - Priority in state bond allocations through the California Debt Limit Allocation Committee (CDLAC)
  - Tax credits for housing as issued through the Tax Credit Allocation Committee (TCAC)
- Cash Grant
- Priority for Inter-regional Improvement Program funds
- Childcare Assistance

Tax increment financing and Enterprise Zone designation have been researched and opportunities to apply these programs are being developed through legislation. Staff is working with Assemblymember Cogdill (R-Modesto) on revising AB499, introduced last year, to include both tax increment financing and Enterprise Zone designations as an incentive for the Zones. (See below for further details.)

Staff has met with both the California Debt Limit Allocation Committee and the Tax Credit Allocation Committee to discuss potential administrative changes to their programs. In both cases, the agency leadership informed staff that changes to administrative procedures were not possible without legislation. They identified an additional fundamental concern that any incentive would have to have statewide applicability.

The potential for cash grants for IRP zones is severely hampered by the status of the California state budget. Staff is working on the potential of grants designed to pay out at the time that a given Zone has reached a certain threshold of development. This would allow for the State budget to rebound, and put cash payments out into future budget years.

Staff has explored with Assemblymember Cogdill the possibility of granting IRP Zones priority consideration for transportation funding under the control of Caltrans and the California Transportation Commission through the Interregional Improvement Program. An earlier version of AB499 contained the following clause:

*“One desired incentive is to change state law and perhaps California Transportation Commission administrative procedures, to specify that transportation infrastructure improvements directly related to serving jobs/housing opportunity zones designated by the five-county Inter-Regional Partnership, are to be given priority consideration for Interregional Improvement Program funds when the California Transportation Commission approves the State Transportation Improvement program.”*

The logic in including this language is that Senator Torlakson's original AB2864, which created the IRP State Pilot Program, listed Caltrans as one of the state departments which "shall be involved in determining what incentives might be made available." Unfortunately, due to the high demands on these funds, this clause encountered significant opposition, and was amended out of AB499 on April 22, 2002.

Childcare incentives (*San Joaquin COG staff will provide an update on childcare incentives at the May 15<sup>th</sup> meeting.*)

#### Assembly Bill 499

Last year, Assemblymember Cogdill introduced Assembly Bill 499. As currently drafted and amended, AB499 is intended to promote economic development in the Central Valley. AB499 directs the Technology, Trade, and Commerce Agency to designate both an Enterprise Zone and a Targeted Tax Area within a county in the IRP area. Based on the Legislative Analysts Office evaluation of the current legislative language, however, it is likely that both the Enterprise Zone and the Targeted Tax Area could only be located in two of the IRP counties, San Joaquin or Stanislaus. The bill also requires the agency to convert an existing Manufacturing Enhancement Area in the city of Brawley in Imperial County into an Enterprise Zone.

In addition, AB499 suggests specific changes to the language of the existing IRP law. These changes have the potential to modify the original intent of the IRP State Pilot Program as created by the IRP. Proposed modifications include a shift in the description of the need for infrastructure in proximity to a Zone, suggesting that commitment to construct needed infrastructure improvements would be sufficient to obtain IRP incentives.

Having had limited support in the Senate for this bill as it is currently drafted, and in response to overtures from IRP staff, Assemblymember Cogdill is considering the possibility of completely amending AB499. Mr. Cogdill is willing to change AB499 and replace it with incentives language for the Jobs/Housing Opportunity Zones or incorporate proposed changes into the existing bill, rather than replace it in its entirety. Mr. Cogdill will work with the Partnership to modify AB499 if the IRP and the legislators from the IRP area can support the new language.

Attached to this report is potential new language for AB499 that exclusively addresses incentives for the Jobs/Housing Opportunity Zones. Staff requests that the IRP members review the proposed language and incentives and offer input to staff.

#### **Requested Actions**

- Direct staff to forward the proposed legislative language for AB499 to Cogdill's office with IRP support.
- Direct staff to develop and implement a series of meetings with legislators and their staff regarding support for the proposed revisions to AB499.

**AB 499 (Cogdill) Proposed New Bill**

1) Existing law, until January 1, 2005, creates the Inter-Regional Partnership State Pilot Project to Improve the Balance of Jobs and Housing, which is monitored by the Department of Housing and Community Development, to test and evaluate policies and incentives to mitigate current and future imbalances of jobs and housing in specified counties. These polices include the creation of “Jobs-Housing Opportunity Zones” in the Counties of Alameda, Contra Costa, Santa Clara, San Joaquin, and Stanislaus. According to existing law, these Zones are intended to receive fiscal and non-fiscal incentives. A variety of state departments shall be involved in determining what incentives might be made available, including, but not limited to, the Office of Planning and Research, the Department of Housing and Community Development, the California Housing and Finance Agency, the Department of Transportation, and the Department of Conservation.

This bill would make legislative changes to existing state law and to various state programs to establish both the fiscal and non-fiscal incentives necessary to implement development in the Jobs-Housing Opportunity Zones created pursuant to §65891 of the Government Code.

4) This bill would, notwithstanding any other provision of law, make cities and counties eligible for reimbursement of costs incurred for the approval and entitlement of development projects within a Jobs-Housing Opportunity Zone as created pursuant to §65891 of the Government Code.

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

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares all of the following:

- (a) The Inter-Regional Partnership, as defined in Section 65891.1 of the Government Code (Article 2.10 of Chapter 4 of Division 1 of Title 7), has recommended seven areas within the Counties of Contra Costa, San Joaquin, Santa Clara and Stanislaus and is in the process of recommending up to three additional areas in the counties of Alameda and Santa Clara to the State Department of Housing and Community Development for designation as a “Jobs-Housing Opportunity Zone” pursuant to Section 65891 of the Government Code (Article 2.10 of Chapter 4 of Division 1 of Title 7).

- (b) The Jobs-Housing Opportunity Zones have been established under the criteria and other requirements set forth in Section 65891.1 of the Government Code and are therefore eligible to receive fiscal and non-fiscal incentives.
- (c) Fiscal and non-fiscal incentives, as defined in Section 65891.1 of the Government Code (Article 2.10 of Chapter 4 of Division 1 of Title 7), need to be directed to the Zones in order for development to take place within them. Development in the Zones is intended to improve the jobs-housing imbalance across the 5-county IRP area.
- (d) Existing laws relating to the necessary state incentives need to be modified so that these same incentives can be directed to the Jobs-Housing Opportunity Zones in order to facilitate planned development within the Zones.

SECTION 2. It is the intent of the legislature to make the required legislative changes in various state programs to direct incentives to the Jobs-Housing Opportunity Zones, thereby facilitating development within the Zones. Development in the Zones is intended to improve the jobs-housing imbalance in the Counties of Alameda, Contra Costa, San Joaquin, Santa Clara, and Stanislaus.

SECTION 3. Section 7073.2 is added to the Government Code, to read: 7073.2. (a) Notwithstanding any other provision of law, the agency shall, upon request of the county board of supervisors or city council, designate an Enterprise Zone within a Jobs-Housing Opportunity Zone. (b) For purposes of applying any provision of the Revenue and Taxation Code, the Enterprise Zone designated pursuant to this section shall be deemed to have been designated pursuant to Section 7073.

SECTION 4. Section 7098 is added to the Government Code, to read: 7098. (a) Notwithstanding any other provision of law, the Technology, Trade, and Commerce Agency shall, upon request of the appropriate governing body, designate an additional Targeted Tax Area within a Jobs-Housing Opportunity Zone as designated by the State Department of Housing and Community Development and recommended by the Inter-Regional Partnership, pursuant to Section 65891 of the Government Code.

SECTION 5. Section 6589.1 of the Government Code is amended to read (b) "Incentives" include the following: (1) Providing tax credit priority for development of multifamily residential construction in areas with job surpluses and for job generating projects in areas with housing surpluses. The California Tax Credit Allocation Committee (TCAC), as defined in Section 50199 in the Health and Safety Code shall give preference to projects located in a Jobs-Housing Opportunity Zone and that meet further

specific criteria as determined by TCAC. (2) Providing priority in the state's bond allocation process. The California Debt Limit Allocation Committee (CDLAC) shall create a "Jobs/Housing Balance" category. Preference shall be given to projects that meet criteria for this category as established by CDLAC or that are located in a Jobs-Housing Opportunity Zone and that meet further specific criteria as determined by CDLAC. (3) Tax-increment financing for Jobs-Housing Opportunity Zones. Jobs-Housing Opportunity Zones are authorized to become infrastructure financing districts without the legislative requirement that the legislative body submit the proposal to create the district to the qualified electors of the proposed district. (5) Enterprise Zone designation. (6) Targeted Tax Area designation. (6) Childcare subsidies for employers located within a Zone.

**IFD** - SECTION 6. Section 53395.20 of the Government Code is added to read: 53395.20 (d) If the proposed infrastructure financing district is within or contiguous with the geographic boundaries of a Jobs-Housing Opportunity Zone as defined and established pursuant to Section 65891 of the Government Code, than the legislative body shall not be required to submit the proposal to the qualified electors as described in (a). The legislative body's resolution to create a infrastructure financing district contiguous to or within a Jobs-Housing Opportunity Zone, if passed by a 2/3 majority vote, will suffice in creating the district.

**CDLAC** - SECTION 7. Section 8869.80 of the Government Code is added to read: 8869.80 (g) A substantial public benefit is served by promoting housing in a jurisdiction where there exists a surplus of jobs and employment in jurisdictions where there is a surplus of housing.

**CDLAC** - SECTION 8. Section 8869.84 is amended to read: 8869.84 (d) The committee may at any time, before or after granting any allocations in any calendar year to any state agencies or local agencies, announce priorities or reservations of any part of the state ceiling not theretofore allocated either for certain categories of bonds or categories of issuers. Categories shall include those that address jobs/housing balance issues, as specifically addressed through a Jobs/Housing Opportunity Zone designation pursuant to Section 65891 of the Government Code.

**TCAC** - SECTION 9. Section 50199.14 of the Health and Safety Code shall be amended to read: 50199.14 c) In order to promote the provision of affordable low-income housing within and throughout the state, the committee shall allocate housing credits in accordance with the qualified allocation plan and regulations, which shall include the following provisions: (1) All housing credit applicants shall

demonstrate at the time the application is filed with the committee, that the project meets the following threshold requirements: (A) The housing credit applicant shall demonstrate there is a need and demand for low-income housing in the community or region for which it is proposed. (B) The project's proposed financing, including tax credit proceeds, shall be sufficient to complete the project and that the proposed operating income shall be adequate to operate the project for the extended use period. (C) The project shall have enforceable financing commitments, either construction or permanent financing, for at least 50 percent of the total estimated financing of the project. (D) The housing credit applicant shall have and maintain control of the site for the project. (E) The housing sponsor shall demonstrate that the project complies with all applicable local land use and zoning ordinances. (F) The housing credit applicant shall demonstrate that the project development team has the experience and the financial capacity to ensure project completion and operation for the extended use period. (G) The housing credit applicant shall demonstrate the amount of tax credit that is necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the extended use period, taking into account operating expenses, supportable debt service, reserves, funds set aside for rental subsidies, and required equity, and a development fee that does not exceed a specified percentage of the eligible basis of the project prior to inclusion of the development fee in the basis, as determined by the committee. (2) *The committee shall give a preference to those projects satisfying all of the threshold requirements of paragraph (1) if: (A) The project serves the lowest income tenants at rents affordable to those tenants; and (B) The project is obligated to serve qualified tenants for the longest period or (C) The project is located in a Jobs/Housing Opportunity Zone as determined pursuant to Section 65891 of the Government Code.* (3) In addition to the provisions of paragraphs (1) and (2) of subdivision (c), the committee shall use the following criteria in allocating housing credits: (A) Projects serving large families in which a substantial number, as defined by the committee, of all residential units are comprised of low-income units with three and more bedrooms. (B) Projects providing single room occupancy units serving very low income tenants. (C) Existing projects that are "at risk of conversion," as defined by paragraph (4) of subdivision (c) of Section 17058 of the Revenue and Taxation Code. (D) Projects for which a public agency provides direct or indirect long-term financial support for at least 15 percent of the total project development costs or projects for which the owner's equity constitutes at least 30 percent of the total project development costs. (E) Projects that provide tenant amenities not generally available to residents of low-income housing projects.

SECTION 10. Due to the unique circumstances of the Counties of Alameda, Contra Costa, Santa Clara, San Joaquin, and Stanislaus, with respect to mitigating current and future imbalances of jobs and housing

in those counties, the Legislature hereby finds and declares that a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution.