



Date: February 18, 2004
To: Inter-Regional Partnership Members
From: IRP Staff
RE: AB 723 Update

Background

AB 723 is modeled after the original Infrastructure Financing District (IFD) legislation SB 308 (Seymour, 1990), as well as SB 207 (Steve Peace, 1999), which was chaptered in October of 1999. SB 207 created tax increment financing districts in the border area near Mexico.

AB 723, sponsored by Assemblywoman Barbara Matthews, would allow for the creation of similar tax increment financing districts in opportunity zones created by the Inter-Regional Partnership. In order to give employers and home builders an incentive to locate in the zones, the bill would allow governing bodies to form tax increment financing districts in their respective zones based on incentive levels based on redevelopment law. These levels are greater than those allowed in Infrastructure Financing Districts (IFDs).

Revenues raised would be used to develop infrastructure that would improve the competitive position of the zones relative to other states and regions, and make the zones more attractive to prospective employers and developers.

Discussion

On January 6, 2004, IRP staff met with Assemblywoman Barbara Matthews and her staff regarding the delivery of AB 723 to the State Senate Local Government Committee (chaired by Senator Tom Torlakson).

Due to the State budget crisis, AB 723 is not expected to be reviewed by the State Senate until March or April 2004. The strategies to employ prior to Senate review include the following:

- Peter Detwiler, Consultant for the Senate Local Government Committee will review the bill along with the suggestions provided by Michael Wong of consulting firm of Keyser Marston Associates Inc. to strengthen the bill. Critical feedback from Mr. Detwiler will provide Assemblywoman Matthews with valuable information regarding potential opposition.
- A teleconference between IRP staff, Michael Wong, and Mr. Detwiler will be held to go over technical aspects of the bill.
- Once all needed modifications are identified, Assemblywoman Barbara Matthews' staff will work with the Senate Legal Counsel to build in changes.

Peter Detwiler has reviewed the bill as well as the suggestions by Michael Wong. He believes the bill will be supported by the Senate because the increase to the incremental financing is specific to the ten (10) opportunity zones as a pilot project. More than that would create a risk to the State of California that would not be embraced by the State Senate. He is also in favor of extending the term for the

incremental financing to forty (40) years. Currently, redevelopment law allows for forty-five (45) years.

Next Steps

- IRP staff will continue to work with Assemblywoman Barbara Mathews' staff along with Michael Wong of KMA and Peter Detwiler to go over proposed amendments.
- Assemblywoman's staff will introduce amendments to Legislative Council to incorporate changes into the bill.

Requested Actions

1. Once the bill is scheduled for the Senate Government Committee, direct staff to prepare letters of support for the IRP co-chairs to sign, and direct staff to solicit letters of support from other agencies to be sent to all the State Assembly members. Assemblywoman Matthews' staff will communicate the time when this task needs to be delivered.
2. Ensure that IRP stakeholders are in attendance at the first Senate Local Government Committee Hearing.