

Date of Hearing: May 16, 2019

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Lorena Gonzalez, Chair
AB 1248 (Eduardo Garcia) – As Amended April 29, 2019

Policy Committee: Local Government

Vote: 8 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill, until January 1, 2024, under the Capital Investment Incentive Program (CIIP), allows cities and counties to offer property tax abatements to small and mid-size manufacturers. Specifically, this bill:

- 1) Allows beginning in the 2020-21 fiscal year, the governing body of a city or county to pay, for up to 10 consecutive years, a capital investment incentive amount (incentive) to the proponent of a qualified targeted manufacturing facility (QTMF), located within the jurisdiction of the city or county, equal to the taxes owed on the manufacturing property in excess of the first \$5 million assessment, upon making certain findings.
- 2) Requires a city or county that approves payment of an incentive for a QTMF to provide the Governor's Office of Business and Economic Development (GO-Biz) with specified information to include in an existing report to the Legislature.

FISCAL EFFECT:

- 1) No state costs. The incentive payments under the CIIP are made after local agencies make all other required property tax allocations, including any payments affecting the school share.
- 2) Local costs are not reimbursable because the program is permissive.

COMMENTS:

- 1) **Purpose.** According to the author:

California's manufacturing investments have not kept pace with the rest of the country, capturing a mere 4.5% of capital funding nationwide. Existing incentives, like the CIIP, have not been able to overcome this trend because they are focused on competing for very large manufacturing investment. In the decades since the CIIP was enacted, the engine for job creation and economic expansion in the manufacturing industry has shifted to small and medium investments. Between 2015 and 2017, manufacturers investing between \$5 and \$55 million in new or existing facilities outpaced the total number of jobs created by projects the CIIP was intended to attract. [This bill] will provide local governments a tool to incentivize the redevelopment and rehabilitation of abandoned or

distressed facilities in their communities by attracting investment from small and mid-size manufacturers.

- 2) **Background.** CIIP authorizes a local government to offer partial property tax abatement for a qualified manufacturing facility (QMF) for assessed property taxes in excess of \$150 million. CIIP seeks to provide local governments with opportunities to attract large manufacturing facilities to invest in their communities and to encourage industries, such as high technology, energy, environmental and others to locate and invest in California.

The program allows a local government to rebate a “capital investment incentive amount” to a manufacturer proponent equal to the taxes owed on the manufacturing property in excess of the first \$150 million assessment for up to 15 years. The incentive may be offered only if the proponent enters into an agreement requiring the proponent to meet certain criteria, such as job creation numbers, wages paid at least equal to the state average weekly wage and local fees. If a proponent fails to meet these requirements, the local government is entitled to repayment of any amounts paid.

- 3) **Prior Legislation.** AB 1900 (Brough), Chapter 382, Statutes of 2018, extended the sunset of the CIIP until January 1, 2024.

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