

ASSEMBLY THIRD READING
AB 726 (Eduardo Garcia)
As Introduced February 16, 2021
Majority vote

SUMMARY:

Expands the list of qualified manufacturing facilities (QMFs) for the purposes of the Capital Investment Incentive Program (CIIP).

Major Provisions

Specify that a business engaged in the manufacturing of fuels, electrical parts, or components used in the field of clean transportation or the production of alternative fuel vehicles or electric vehicles is a QMF for the purposes of the CIIP.

COMMENTS:

Background. SB 566 (Thompson), Chapter 616, Statutes of 1997, enacted the CIIP, and SB 133 (Kelley), Chapter 24, Statutes of 1999, expanded the program to provide local governments with an opportunity 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. CIIP authorizes a local government to offer partial property tax abatement for QMFs for assessed property taxes in excess of \$150 million. The program allows a local government to rebate a 'capital investment incentive amount' to a manufacturer proponent that is 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 only be offered if the proponent enters into an agreement that requires the proponent to meet certain criteria, such as job creation numbers, wages paid at least 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.

In 1999, Imperial County and CalEnergy Operating Corporation attempted to utilize the program for zinc extraction from the Salton Sea, but a collapse in the zinc market caused the project, and thus the program, to cease. The abated property taxes were returned to the County, as provided under the Community Service Agreement between CalEnergy and the County. In its November 2019 report on the CIIP, GO-Biz reported that the cities of Palmdale and Long Beach and the County of Los Angeles established programs for their jurisdictions but none had issued any payments and only one proponent, Weber Metals Inc., appeared to be proceeding with its project.

In 2018, AB 1900 (Brough), Chapter 382, Statutes of 2018, extended the sunset of the CIIP until January 1, 2024. When AB 1900 was heard by this committee, it modified the CIIP in several ways. It extended the program for 10 years, expanded it to include large-scale retail-trade related facilities, and temporarily reduced the required initial investment amount from \$150 million to \$25 million. It also temporarily increased the property taxes cities and counties could rebate to the facility over \$25 million of assessed value by lowering the threshold from \$150 million. This Committee amended AB 1900 to remove all of its provisions, except for the sunset extension.

How does the CIIP Work? If a city council or county board of supervisors approves the proponent's request, he or she pays their property tax as they would normally under current law.

The local agency approving the request then sends a payment equal to the amount of the share of the property tax they received on the value of the facility that exceeds \$150 million, less the community service fee. For example, a firm that constructs a facility valued at \$200 million pays \$2 million in tax at a 1% rate. If the local agency approving the request receives a 15% share of the allocated property tax for that property in that specific tax rate area, the payment is \$750,000 (\$200 million - \$150 million = \$50 million x 1% rate x the 15% share), less the \$187,500 (25%) community service fee, for a net payment of \$562,000 back to the proponent.

According to the Author:

According to the author, "The Imperial County, recently coined as The Lithium Valley due to its significant amount of underground lithium deposits, has a unique opportunity to attract battery manufacturers as a result of this natural resource as well as an opportunity to develop other renewable and clean transportation projects. In the past, the County has additionally looked to the CIIP program to attract a significant number of jobs to the region in a county with the highest unemployment rate in the nation. However, currently the CIIP does not incentivize the investment of these clean transportation projects. In order to expand on possible investments into local regions of California and to help meet our clean transportation and air quality goals, the CIIP program needs to include incentives for the manufacturing of fuels, electrical parts, or components in the field of clean transportation or the production of alternative fuel vehicles or electric vehicles."

Arguments in Support:

According to the Imperial Valley Economic Development Corporation, "As the lead economic development organization working throughout the County of Imperial, we fully support AB 726 which opens eligibility criteria within the CIIP to businesses who seek to invest \$150M or more to construct facilities engaged in the manufacturing of fuels, electrical parts, or components used in the field of clean transportation or the production of alternative fuel vehicles or electric vehicles. Making this addition to the already great CIIP incentive will provide economic developers statewide with one more tool in the toolbox that we can use in our efforts to attract projects seeking to manufacture products in the clean transportation industry."

Arguments in Opposition:

None on file.

FISCAL COMMENTS:

None.

VOTES:**ASM LOCAL GOVERNMENT: 8-0-0**

YES: Aguiar-Curry, Lackey, Bloom, Boerner Horvath, Ramos, Luz Rivas, Robert Rivas, Voepel

UPDATED:

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