



## Economic Development Policy Recommendations Practical Solutions to Grow Local Economies

The California Association for Local Economic Development (CALED) is the voice of economic development practitioners and stakeholders. With over 750 members, CALED is one of the largest economic development organizations in the country. We believe that through partnership and collaboration with local economic developers, the state of California can leverage the energy of California's economic development network to create positive impacts that benefit our businesses and residents.

### Background:

In anticipation of the leadership of California's next Governor and with an eye to improving local economic development in California through practical solutions that can make a difference, CALED has held several focus group meetings of our members and partners to identify and prioritize a suite of policy recommendations that we believe could have immediate impact and effectively leverage the work local economic developers are already doing.

The recommendations below are focused around improving already existing state financing tools, programs and resources for economic development, as well as increasing partnerships with local governments and leveraging their economic development efforts to increase impact.

### Enhanced Infrastructure Financing Districts (EIFDs):

Dozens of cities and counties are now considering EIFDs and a handful have completed the district formation process. However, CALED's outreach has highlighted the need for improvements to the EIFD code to make the district formation process more efficient and less costly. The proposed amendments are intended to address minor yet important issues that, if implemented, will encourage more cities and counties to move forward with EIFDs to advance their infrastructure and economic development priorities.

- **Increase Tax Sharing Pool:** For many communities, there is simply not enough money in their own tax pool to create an EIFD and finance a meaningful project. Some ways to include additional taxing entities and align with their goals include:
  - Support city-county EIFD partnerships.
  - Create program to allow school entities to voluntarily participate in EIFDs if the district will finance projects benefitting the school or community college district. These projects could go through state approval with a cap on the dollar amount available to minimize risk to the state.
  - Allow special districts that receive tax share to voluntarily participate.
  - Expand the ERAF reduction model used in San Francisco so all jurisdictions can use this to fund projects aligned with state and local goals.
- **Remove Barriers to Bond Issuance:** Eliminate the vote requirement to issue EIFD bonds. The vote requirement is burdensome for implementing the key purpose of EIFDs—issuing bonds for infrastructure projects—and was not a requirement of former redevelopment agencies. There also needs to be a tailored program to work with EIFD debt financing as noted in the recommendations for a California Economic Development Finance Bank.
- **Clarify Environmental Review:** Exempt Infrastructure Financing Plans from CEQA review (CEQA clearance for individual projects would occur as projects commence). Like other planning documents, Infrastructure Financing Plans should not be treated as a “project” under CEQA, which adds unnecessary costs and time to the EIFD formation process. The current EIFD law is silent on this and needs clarification.
- **Allow for Plan Amendments:** Create provisions for Infrastructure Financing Plans & EIFD boundaries to be amended. This authority does not currently exist in EIFD law but it is important to the long-term administration of the districts.

- **Create EIFD Project Areas:** Allow EIFDs to create “project areas” with their own 45-year terms (modeled after Infrastructure and Revitalization Financing Districts). This would allow maximum utilization of overall tax increment potential of the districts.
- **Simplify Board Membership:** Allow Public Financing Authority board membership to be filled by city council members for city-only or county supervisors for county-only EIFDs. For multiple-entity EIFDs, simplify the board membership/appointment process. These changes will streamline the EIFD formation process and make administration of EIFDs more efficient and directly accountable to the affected taxing entities.

### **California Economic Development Financing Bank:**

The California Infrastructure and Economic Development Bank (IBank) was created in 1994 to finance public infrastructure and private development that promote a healthy climate for jobs, contribute to a strong economy and improve the quality of life in California communities. While the bank has several key programs, it has the ability to do more to support local governments in reaching their economic development goals.

- **Emphasize Economic Development:** Re-cast the bank as California’s Economic Development Finance Bank (CA’s ED-Bank) with a focus on broader tools and a larger role in supporting/financing local projects.
- **Create a State Resource Registry:** Require state entities that provide funds, programs, tax credits, and technical assistance for local economic development to register those with CA’s ED-Bank. This is different than the “one-stop” portals than currently available, where the creator has to gather the information versus state entities reporting it to a central entity. The ED-Bank would maintain the registry online as a transparent, searchable resource. Many communities do not even know what is available to them, and this would go a long way in seeing if there are in fact gaps in financing tools offered by the state.
- **Provide Technical Support:** Create technical support positions that require economic development finance knowledge (beyond loan underwriting) and designate at least two Community Finance Liaisons to assist communities with questions on project financing and state tools. The loss of redevelopment also created a loss of technical knowledge in communities to get projects financed. Those that cannot afford consultants do not have options for this support.
- **Review and Improve Current Offerings:** Quickly hold an opportunity for local governments of all sizes an opportunity to provide input on the current tools offered by ED-Bank. Specific examples include amending the Infrastructure State Revolving Fund (ISRF) Loan Program’s requirements so more projects can qualify and allow local governments to borrow at a reduced interest rate from this program for Tax Increment Financing projects by committing their increment stream as repayment. This was allowed under redevelopment, but has not been available with the new TIF tools.
- **Consolidate Economic Development Financing Tools:** To the extent possible, consolidate economic development financing programs run through or by the state under the purview of the ED-Bank. For example, the Community Development Block Grant economic development set-aside funds currently managed by Housing and Community Development are not being effectively deployed to non-entitlement communities and could benefit greatly from being managed by an entity with an economic development mission.
- **Continue the State’s Opportunity Zone Engagement & Leadership:** California has shown its commitment to supporting this program through the creation of [opzones.ca.gov](http://opzones.ca.gov) – a resource for communities and investors. Housing this program within the ED-Bank would allow for layering of financing tools, technical support to communities and investors, as well as designating a state entity charged with ensuring California receives the maximum benefit from this program. This state’s OZ Manager would also be responsible for making policy recommendations to that effect, such as passing conforming legislation to exempt investments from California capital gains and accelerating the CEQA process in the zones to create certainty for investors.

## California Competitiveness:

As the world's fifth largest economy and an innovation leader, California has achieved continued economic development success; however, we cannot take that for granted. Hundreds of economic development professionals work hard to make our communities places where businesses thrive and people can enjoy the quality of life promised by the values California holds dear – such as diversity, equity, and opportunity. These professionals need the state to be an active partner in maintaining and continuing the success we have had.

- **Prepare to Compete:** Understand our competitive advantages and disadvantages, map our assets, and have a protocol in place for the Governor's economic development team to partner with locals and respond quickly to competitions for significant economic development projects.
- **Improve California Competes:** California Competes is a nationally-recognized model practice because of its structure and focus on outcomes. After several years of experience with the program, there are some small changes that can be made to make the program even more effective:
  - Increase amount allocated to the program since it is oversubscribed.
  - Have a rolling application period and increase number of hearings during the year to be responsive to the timing of when a business needs to make investment decisions.
  - Create an annual opportunity that allows for feedback from economic developers and businesses for the purpose of process improvement.
- **Align State Resources for Workforce Development to Improve Economic Development Outcomes:** Both the Workforce Development Boards and the California Community Colleges receive funds for workforce activities that should align with local economic development efforts. This happens on a one-off basis and needs state-level leadership to become a statewide focus. The State Workforce Board attempted to address this through the Slingshot pilot program, but the coordination needs to happen between both systems in partnership with the jurisdictions they serve.
- **Coordinate State Marketing:** California has a strong brand that we should continue to leverage:
  - There is a natural nexus between the work Visit California does marketing tourism for our state and the work local economic developers do to market opportunity in their cities, counties, and regions. If the tourism brand was expanded to also have an economic development component or spin off pieces that included collateral local economic developers could add their community marketing information to, it would be an effective way to get our message out and allow communities to partner with the state on a consistent California economic development brand.
  - The state can continue to have a presence at SelectUSA Investment Summit in Washington, D.C., on June 10–12, 2019 and provide California communities a way to participate in the California delegation. Be part of the state's banner gives our communities more visibility and credibility with international representatives.
  - The Governor's Office should continue to partner with CALED and TeamCalifornia on the California Investment Guide. This is a no-cost annual magazine, touting California's positive economic development story. It is published by Conway Inc. with editorial input from the Governor's Office.
- **Be Strategic in Implementing Economic Development:** With limited resources, California needs to be strategic in our economic development efforts. Many jurisdictions and regions have adopted and maintained economic development strategies. Rather than the state creating a top-down strategy, the state can be more impactful by using local strategies to inform a state strategy and creating a nimble action plan for the Governor's economic development team (currently GO-Biz) so they can act in partnership with local practitioners, augmenting and enhancing regional economic development efforts.
- **Provide Training for State Economic Development Staff:** In order for the state to partner with locals effectively, we need to have the same knowledge and understanding of what economic development is and model practices. CALED offers the only nationally-recognized economic development training in California and we will continue to make that training available at little or no cost to the Governor's economic development team.

- **Get Economic Development Input from Practitioners:** Often policies are considered without a full understanding of their impact to local economic development. On key legislation or issues, get input from current economic development professionals.

### **Rural Economic Development:**

California's rural communities have not experienced the same level of economic recovery that their urban counterparts have achieved since the Great Recession. We must act quickly to keep these communities viable by addressing issues like access to commercial speed broadband, which is a must for these communities to be able to compete. Also, in addition to insuring the residents in rural communities have a voice, the state can take small, but meaningful steps to improve local economic development in these areas:

- Designate a Rural Advocate within the Governor's economic development team who would be responsible for promoting programs and communicating with rural economic development stakeholders.
- Appoint at least one rural economic development practitioner to the Lt. Governor's Economic Development Commission.
- Continue the work of Governor's Office of Planning and Research in regards to rural economic development and wood products.
- Partner with USDA Rural Development's California Office to provide funding fairs and technical assistance and capacity building for rural communities.
- Work with rural stakeholders (electeds, economic development practitioners, and non-profits) to create a statewide "Rural California" tourism campaign to market our rural areas collectively.
- Revive the recently expired COIN Community Development Financial Institution (CDFI) tax credit program that was created in 1996 to create new opportunity in California's low-income communities by providing a tax to insurance companies that made investments in CDFI's – community-based non-profits that deliver financial services to underserved populations.
- Allow buildings in rural areas that are over seventy (70) years old to rebuild to the same building code standards as those that are designated "historic" if they are being repurposed for affordable housing or mixed use. Many of these buildings are too expensive to tear down and too expensive to rebuild. Giving them the flexibility of redeveloping to the Historic Building Codes standards would make it easier to put these properties into productive use.
- With the reauthorization of the California Competes Tax Credit, there was also a \$20 million funding pool created to support Small Business Development Centers and select other small business service providers. The funds that are currently allocated to service providers that are not being leveraged to receive federal funds should be made available for rural jurisdictions and their economic development organizations who provide similar small business support and can access federal funds by using the state contribution as match. They would still be deployed through a competitive process.

### **Embrace the State's Role in Economic Development & Lead:**

California communities need the state to be a partner in their economic development efforts, as well as lead in areas like foreign direct investment attraction, policy issues impacting local economic development, and marketing the positive side of doing business in California.

Relating to partnering, the majority of our recommendations speak to an unprecedented need to help communities with understanding economic development financing options, increasing local capacity, and navigating state programs. With the loss of redevelopment, many communities lost expert practitioners that were responsible for project finance. This lack of local capacity has hindered their ability to access and use tools at a time they need them most for infrastructure, housing, economic development, and taking advantage of programs like the Opportunity Zones. The state can address this need and rebuild local capacity to address their project and infrastructure financing needs by:

- In lieu of offering the rarely used Hiring Tax Credit, allocate \$100 million for Place-based Economic Development Performance Grants for jurisdictions, regional (more than one city) economic development corporations, and statewide economic development organizations that would be delivered through a competitive process, and could be used for activities such as:

- Match for federal project funds
  - Hire and train professional city/county staff on economic development finance
  - Fund infrastructure, where the community has provided matching funds
  - Planning and building out broadband infrastructure in rural communities (with no match requirement)
  - Phase I site assessment for potential brownfield sites and to assist with cleanup of publicly-owned properties, with priority given to those owned by successor agencies
  - Paying for grant writing services to access other federal and state funds
  - Business resiliency planning
  - This recommendation requires more details, and we would work with the state to develop those based on community feedback and state considerations
- Fostering a culture of partnership and local support through embracing the state’s role in economic development and designating the Governor’s economic development team with the responsibility of training locals, serving as lead in navigating state financing programs, and managing local Place-based Economic Development Performance Grants noted above.

In maintaining the state’s leadership role and continuing the momentum of current efforts, we believe in the need to continue the Governor’s Office of Economic Development. There are many compelling reasons for this outlined in a 2010 Little Hoover Commission report that recommended creating a Governor’s Office of Economic Development, *Making Up for Lost Ground: Creating a Governor’s Office of Economic Development*.

Governor Brown created the Governor’s Office of Business and Economic Development (GO-Biz), and while we expect the next Governor will restructure/recast the office to meet their vision and goals, it’s important that there is a continued voice leading the state’s economic development efforts at this level. Moreover, the professional economic developers in California welcome the opportunity to work with this office and leverage efforts to increase positive benefits for California businesses, residents, and communities.

In addition to these recommendations, there are other forces impacting economic development success that we hope to see California’s next Governor address. We agree with many others that there is a critical need to address California’s housing supply shortage. This includes issues of homelessness, affordable housing, and workforce housing. We need to have appropriate housing supply for residents of all income levels. Without an adequate housing supply, we won’t have homes for our workforce, and that will impede our state’s economic growth. In rural areas, this problem is even more acute in that housing regulations (such as adding solar) make it more difficult for developments with smaller unit counts to pencil out.

We also need policies that support relevant, needs-based training for our workforce. This means aligning state workforce, education, and economic development efforts to identify and address training needs and opportunities in a timely fashion. The state can offer solutions such as carving out a small pot of funds from the State Employment Training Panel to help manufacturers to create apprenticeship programs and hire local. Additionally, the next Governor can appoint at least two economic development practitioners to the State Workforce Development Board.

In closing, we make these recommendations in hopes of partnering with the state to leverage our effectiveness in continuing California’s economic development efforts. Please contact us if you have any questions.

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