

Date of Hearing: April 13, 2016

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Susan Talamantes Eggman, Chair

AB 2841 (Travis Allen) – As Amended April 6, 2016

**SUBJECT:** State infrastructure financing for seaports.

**SUMMARY:** Creates a process for a harbor agency to apply for funding to the Infrastructure and Economic Development Bank (I-Bank). Specifically, **this bill:**

- 1) Requires, after consulting with the appropriate state and local agencies, the I-Bank to establish, for state infrastructure financing for seaports, criteria, priorities, and guidelines for the selection of projects to receive assistance from the I-Bank, and requires projects to comply with those criteria, priorities, and adopted guidelines of the I-Bank.
- 2) Requires, when the I-Bank establishes or makes changes to the criteria, priorities, and guidelines, the I-Bank to notify the Governor, the appropriate fiscal and policy committees of the Legislature that exercise oversight of the I-Bank, and the appropriate state and local agencies.
- 3) Allows I-Bank to accept applications for a proposed project valuation consistent with the criteria, priorities, and guidelines adopted by the Board of the harbor agency, and specifies the contents of the application.
- 4) Requires a harbor agency to adopt a resolution setting forth estimates of the state fiscal and economic impacts that will result from the proposed project, as specified.
- 5) Requires the I-Bank, upon receipt of the proposed project valuation, to approve, require a modification of, or deny the proposed project valuation, as specified.
- 6) Prohibits the I-Bank from approving a proposed project valuation, if the State Lands Commission objects to a finding made by a harbor agency that the project to be financed is consistent with state tidelands trust and the terms and conditions of any grant of trust lands to the harbor agency.
- 7) Requires the I-Bank to provide notice to the Department of Finance (DOF) within 30 days of approving a proposed project valuation, and requires that notice include, at a minimum, the dollar amount of the valuation and any other information requested by DOF. Requires DOF to include an amount equal to the approved project valuation in the appropriation for the I-Bank Fund, as specified, in the Governor's proposed annual budget.
- 8) Requires the I-Bank to remit funding to the harbor agency only upon an appropriation by the Legislature of moneys for that purpose.
- 9) Allows the I-Bank to require the harbor agency to demonstrate it has sufficient resources to complete the infrastructure development project or install the equipment purchase.
- 10) Requires the I-Bank to prepare a report on its activities and post that report in its Internet Web site.

- 11) Requires the harbor agency to reimburse the administrative expenses incurred by the I-Bank for the processing of the proposed financing of a project.
- 12) Requires all permanent fixtures and capital improvements to the real property of a harbor agency that administers public trust tidelands financed pursuant to the bill's provisions to be a trust asset of the state once completed. Specifies that this does not apply to fixtures and improvements otherwise agreed as nonpermanent in a lease between the harbor agency and a private tenant.
- 13) Defines applicable terms.
- 14) Makes a number of findings and declarations regarding the infrastructure needs of seaport infrastructure financing districts and harbor agencies.

**EXISTING LAW:**

- 1) Authorizes cities and counties to create infrastructure financing districts (IFDs) and issue bonds to pay for community scale public works: highways, transit, water systems, sewer projects, flood control, child care facilities, libraries, parks, and solid waste facilities. To repay the bonds, IFDs can divert property tax increment revenues, which are revenues generated from increases in property values within the IFD above property values in the base-year when the IFD was formed. However, IFDs can't divert property tax increment revenues from schools.
- 2) Authorizes cities and counties to create Enhanced Infrastructure Financing Districts (EIFDs), which augment the tax increment financing powers that are available to local governments under the IFD statutes. City or county officials can create an EIFD, which is governed by a public finance authority, to finance public capital facilities or other specified projects of communitywide significance that provide significant benefits to the district or the surrounding community.
- 3) Authorizes cities and counties to establish Seaport Infrastructure Financing Districts, which are similar to an EIFD, for the purpose of financing port or harbor infrastructure, including any capital improvement that improves environmental quality, if the improvement's primary or predominant use directly benefits a port or harbor.
- 4) Establishes the I-Bank within the Governor's Office of Business and Economic Development (GO-Biz) and authorizes it to undertake a variety of infrastructure related financial activities, including, but not limited to, the administration of a revolving loan fund, oversight of the Small Business Finance Center, and the issuance of tax-exempt and taxable revenue bonds.
- 5) Requires, prior to the submittal of a project to the I-Bank for consideration, the legislative body of the project sponsor to make specified findings, by resolution, on each of the following:
  - a) The project is consistent with the general plan of both the city and county, or city and county in the case of San Francisco, or only the county for projects in unincorporated areas in which the project is located.

- b) The proposed financing is appropriate for the specific project.
- c) The project facilitates effective and efficient use of existing and future public resources so as to promote both economic development and conservation of natural resources. The project develops and enhances public infrastructure in a manner that will attract, create, and sustain long-term employment opportunities.
- d) The project is consistent with the criteria, priorities, and guidelines for the selection of projects adopted of the I-Bank.

**FISCAL EFFECT:** This bill is keyed fiscal.

**COMMENTS:**

- 1) **Bill Summary.** This bill creates a process for a harbor agency to apply for funding through the I-Bank, and gives the I-Bank the authority to establish criteria, priorities, and guidelines for the selection of projects to receive assistance from the I-Bank.

This bill is sponsored by the Pacific Merchant Shippers Association.

- 2) **Author's Statement.** According to the author, "AB 2841 creates a new public financing program to encourage future investments in infrastructure at California's public seaports to be administered by the state Infrastructure Bank. Incentivizing these infrastructure improvements will lower operating expenses, which in turn will help to preserve our ports' economic competitive position or usher in the use of clean technologies sooner than otherwise feasible."

"California's major commercial seaports in Long Beach, Los Angeles, Oakland, Port Hueneme, Richmond, and San Diego are either 'trust grant' ports, meaning that they are operating on state-owned property, which has been granted to a local governmental entity who must manage the property as a trustee for the benefit of the state, or they are special districts set up under the state Harbors & Navigation Code to achieve state purposes. The real property at these ports are publicly owned assets, but are not supported with state or local tax revenues, rather they are operated as enterprises with private revenue streams and their primary form of infrastructure development funding is in the form of revenue bonds backed against future operations or lease revenues.

"In the wake of the elimination of redevelopment and other economic development tools which were not universally believed to be effective, the State revamped its public financing tools to provide for Enhanced Infrastructure Financing Districts (EIFDs). SB 63 (Hall) added seaports to the EIFD statute, and allowed for access to new seaport infrastructure and environmental improvement financing."

- 3) **Prior Legislation.**
  - a) **SB 63 (Hall), Chapter 793, Statutes of 2015.** This bill authorized cities and counties to establish Seaport Infrastructure Financing Districts and allowed these districts, to finance certain port or harbor facilities, as specified.

- b) **SB 628 (Beall), Chapter 785, Statutes of 2014.** This bill authorized local officials to create EIFDs, which augment the tax increment financing powers that are available to local government under the IFD statutes. City or county officials can create an EIFD, which is governed by a public finance authority, to finance public capital facilities or other specified projects of communitywide significance that provide significant benefits to the district or the surrounding community.
- 4) **Arguments in Support.** Supporters argue that this bill will create a win-win investment in California's seaports, create cost savings, improve competitiveness, help grow cargo and jobs, while also investing in the environment.
- 5) **Arguments in Opposition.** None on file.
- 6) **Double-Referral.** This bill was heard by the Jobs, Economic Development and the Economy Committee on April 5, 2016, where it passed with a 9-0 vote.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

Pacific Merchant Shipping Association [SPONSOR]

**Opposition**

None on file

**Analysis Prepared by:** Debbie Michel