

Date of Hearing: September 15, 2017

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT
Cecilia Aguiar-Curry, Chair
AB 755 (Eduardo Garcia) – As Amended September 7, 2017

SUBJECT: Local agencies: capital investment incentive program.

SUMMARY: Extends the authorization for cities and counties to establish a capital investment incentive program (CIIP) from January 1, 2018, to January 1, 2019.

The Senate amendments delete the Assembly version of the bill, and instead, extend the sunset from January 1, 2018, until January 1, 2019, for cities and counties to establish a CIIP.

EXISTING LAW:

- 1) Authorizes counties and cities to establish a CIIP and requires those that choose to do so to pay a capital investment incentive amount to the proponent of a qualified manufacturing facility for up to 15 consecutive years, as specified.
- 2) Provides that the annual payment specified above shall be contingent upon the proponent's payment of a community services fee, as specified.
- 3) Defines the criteria that a "qualified manufacturing facility" must meet, including (among other specifications) that the proponent's initial investment in the facility exceeds \$150 million, the facility is to be located in the jurisdiction of the county or city that will pay the incentive amount, the facility will be operated by specified types of businesses, and the proponent will be engaged in specified activities.
- 4) Requires a proponent whose request for payment of the incentive amount is approved to enter into a community services agreement with the county or city and requires the agreement to contain specified provisions, including a specified community services fee, a job creation plan, and protections for the local government if the proponent fails to meet its obligations under the agreement.
- 5) Requires each county or city that elects to create a CIIP to notify the Governor's Office of Business and Economic Development (GO-Biz) each fiscal year, as specified.
- 6) Requires GO-Biz to compile the information submitted by counties and cities and submit a report to the Legislature no later than October 1 every two years, as specified.
- 7) Repeals the authority of counties and cities to create a CIIP on January 1, 2018, but specifies that a CIIP established before this date may remain in effect for the full term of that program.

FISCAL EFFECT: According to the Senate Appropriations Committee, pursuant to Senate Rule 28.8, negligible state costs.

COMMENTS:

- 1) **Background and Bill Summary.** Government Code 51298, known as the Capital Investment Incentive Program (CIIP), was enacted in 1997 and expanded in 1999 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 a partial property tax abatement for qualified manufacturing facilities for assessed property taxes in excess of \$150M. 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 \$150M assessment for up to 15 years.

The incentive may only be offered after the proponent and the local government agree to a “Community Services 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. Imperial County and EnergySource Minerals, LLC (ES Minerals) are currently attempting to utilize the program, but may not finalize it before the program sunsets this year.

This bill extends the authorization for cities and counties to establish a CIIP from January 1, 2018, to January 1, 2019, and is sponsored by Imperial County and EnergySource Minerals, LLC.

- 2) **Author’s Statement.** According to the author, “Imperial County has a 24.2% unemployment rate as of July 2017, the highest in California, and would greatly benefit from the proposed project. That is why when they approached us to extend this expiring program, we wanted to help. We understand that two other additional counties benefit from this program.

“EnergySource Minerals proposes to design, develop, finance and construct a commercial minerals extraction facility to be located on the current site of the John L. Featherstone Geothermal Power Plant. The project will produce approximately 16,000 tons per year of lithium carbonate and potentially other minerals such as manganese and zinc. It is estimated to generate \$200M to \$250M in direct capital investment and will create 200 construction jobs. In addition, it would generate local economic payments of approximately \$15,000,000 per year, including payroll, royalties, and property tax payments. Approximately 40-45 new, full-time operations jobs would be required to operate a commercial installation, not including jobs created by the local services industry.

“As lithium grows more and more important for battery production as the state pushes to electrify transportation and integrate renewables onto our grid, it is vital that we support our local’s efforts to source that manufacturing locally and in the most environmentally-friendly manner, both of which are achieved by this project. “

- 3) **Arguments in Support.** Supporters argue that there are important benefits that can be achieved by extending the CIIP beyond its current expiration date.
- 4) **Arguments in Opposition.** None on file.
- 5) **Gut and amend.** As approved by the Assembly, AB 755 enacted the California Museums For All grant program. On September 7th, the author amended the bill to delete those provisions, and insert the extension to the capital investment incentive payment program.

REGISTERED SUPPORT / OPPOSITION:

Support

Imperial County [SPONSOR]

EnergySource Minerals, LLC [SPONSOR]

Calipatria Unified School District

Coalition of Labor, Agricultural and Business of Imperial County

Imperial Valley Economic Development Corporation

Opposition

None on file

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