

**SENATE TRANSPORTATION AND HOUSING COMMITTEE**  
**SENATOR MARK DESAULNIER, CHAIRMAN**  
**2013-2014 Session**

**Committee Policy on:           ECONOMIC DEVELOPMENT AREAS**

**Policy:** The committee will not consider any measure that results in the establishment, expansion, or extension of an individual or specific economic development area, including but not limited to enterprise zones, manufacturing enhancement areas, targeted tax areas, or local agency military base recovery areas, benefiting an individual member's district. The committee will continue to hear and vote on bills relating to economic development areas that genuinely maintain the competitive nature of the programs and a uniform set of rules across a particular form of economic development areas (EDAs).

**Discussion:** EDAs promote job retention and expansion in economically struggling communities by providing state tax benefits to employers and other local incentives. The Department of Housing and Community Development (HCD) administers the four EDA programs: enterprise zones, manufacturing enhancement areas, targeted tax areas, and local agency military base recovery areas.

The enterprise zone program is the largest of the four programs. Under existing law, HCD may designate up to 42 enterprise zones. Based on a competitive process when zones are available, HCD selects the enterprise zone applications that propose the most appropriate economic development strategies and implementation plans utilizing state and local programs and incentives to create jobs, attract private sector investment, and improve the economic conditions within the zone. The most economically challenged communities, those that meet at least two criteria such as a poverty rate over 17.5%, an unemployment rate 5% above the state average, or unique distress factors, are given bonus points in the competition. Once designated, an enterprise zone is binding for 15 years. In addition, there are eight local agency military base recovery areas, two manufacturing enhancement areas, and one targeted tax area.

Members of the Legislature from time to time introduce bills that would create a new EDA or provide special treatment to an existing area. While some bills specifically name a community, others prescribe such narrow criteria that only a particular area qualifies. In either case, such bills result in unfairness to other communities that have existing zones or would like to obtain one. Moreover, if such legislation is successful, it would invite many more such bills, in turn undermining the integrity of the programs and the value of existing areas as well as creating difficulties for administration.

Adopted by the Senate Committee on Transportation and Housing on April 2, 2013.