

**ASSEMBLY BILL**

**No. 1399**

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**Introduced by Committee on Jobs, Economic Development, and the Economy (Medina (Chair), Daly, Fong, Fox, Hueso, and V. Manuel Pérez)**

March 11, 2013

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An act to amend and renumber Sections 13997.2 and 13997.7 of, and to add the heading of Article 6 (commencing with Section 12100) to Chapter 1.6 of Part 2 of Division 3 of Title 2 of the Government Code, relating to economic development.

LEGISLATIVE COUNSEL'S DIGEST

AB 1399, as introduced, Committee on Jobs, Economic Development, and the Economy. Economic development.

Existing law defines specified terms relating to economic development and authorizes the Business, Transportation and Housing Agency, and its secretary, to expend specified funds.

This bill would renumber these provisions and instead authorize the Governor's Office of Business and Economic Development, and its director, to expend these funds.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. The heading of Article 6 (commencing with
- 2 Section 12100) is added to Chapter 1.6 of Part 2 of Division 3 of
- 3 Title 2 of the Government Code, to read:

Article 6. Local Economic Development

SEC. 2. Section 13997.2 of the Government Code is amended and renumbered to read:

~~13997.2.~~

12100. (a) The Legislature finds and declares all of the following:

(1) California’s economic development organizations and corporations are an integral component of the state job creation effort because they are a critical link between state economic development activities and the statewide business community, providing an excellent opportunity to leverage state resources.

(2) Economic development corporations and organizations provide broad public benefits to the residents of this state by alleviating unemployment, encouraging private investment, and diversifying local economies.

(3) Economic development corporations engage in a wide range of programs and strategies to attract, retain, and expand businesses, including marketing the community, small business lending, and other financial services, a wide range of technical assistance to small business, preparation of economic data, and business advocacy.

(4) By using public sector resources and powers to reduce the risks and costs that could prohibit investment, the public sector often sets the stage for employment-generating investment by the private sector.

(b) For purposes of this chapter, all of the following definitions apply:

(1) “Local economic development organization” means a public or public-private job creation activity recognized by cities and counties as the lead agency within that city or county for planning and implementation of job creation involving business expansion, business retention, and new business development.

(2) “Regional economic development organization” means an organization comprised of any of the following:

(A) A single county.

(B) More than one county.

(C) A subregion within a county established by the cities and county within that subregion.

(D) An economic development corporation.

1 (3) “Economic development corporation” means a local or  
2 regional nonprofit public-private economic development  
3 organization recognized in a defined region by the public and  
4 private sector as the lead agency for the planning and  
5 implementation of job creation involving business retention and  
6 new business development.

7 (4) “Regional economic development corporation” means a  
8 corporation comprised of any of the following:

9 (A) A single county.

10 (B) More than one county.

11 (C) A subregion within a single county established by a group  
12 of cities and counties.

13 (5) “Economic development” means any activity that enhances  
14 the factors of productive capacity, such as land, labor, capital, and  
15 technology, of a national, state, or local economy. “Economic  
16 development” includes policies and programs expressly directed  
17 at improving the business climate in business finance, marketing,  
18 neighborhood development, small business development, business  
19 retention and expansion, technology transfer, and real estate  
20 redevelopment. “Economic development” is an investment program  
21 designed to leverage private sector capital in such a way as to  
22 induce actions that have a positive effect on the level of business  
23 activity, employment, income distribution, and fiscal solvency of  
24 the community.

25 (6) “Local economic development” is a process of deliberate  
26 intervention in the normal economic process of a particular locality  
27 to stimulate economic growth of the locality by making it more  
28 attractive, resulting in more jobs, wealth, better quality of life, and  
29 fiscal solvency. Prime examples of economic development include  
30 business attraction, business expansion and retention, and business  
31 creation.

32 (7) “Emerging domestic market” means people, places, or  
33 business enterprises with growth potential that face capital  
34 constraints due to systemic undervaluations as a result of imperfect  
35 market information. These markets include, but are not limited to,  
36 ethnic-owned and women-owned firms, urban and rural  
37 communities, companies that serve low-income or  
38 moderate-income populations, and other small- and medium-sized  
39 businesses.

1 (8) “Financial intermediary” means an institution, firm,  
2 organization, or individual who performs intermediation between  
3 two or more parties in a financial context, such as connecting  
4 sources of funds with users of funds. A financial intermediary is  
5 typically an entity that facilitates the channeling of funds between  
6 lenders, investors, foundations, or other entities that have money  
7 and are interested in connecting with businesses or communities  
8 where their money can be deployed. Financial intermediaries  
9 include, but are not limited to, banks, financial development  
10 corporations, economic developers, microbusiness lenders, and  
11 community development organizations.

12 (9) “Community development intermediary” means an  
13 institution, firm, organization, or individual that performs  
14 intermediation between two or more parties in a community  
15 development context, such as connecting people and organizations  
16 that have a stake in the future well-being of communities and  
17 individuals who may not easily have access to these stakeholders.  
18 A community development intermediary is typically an entity that  
19 channels financial and nonfinancial resources between government  
20 and foundations and other nonprofit organizations that have  
21 resources and are interested in connecting with small- and  
22 medium-size businesses and low- and moderate-income households  
23 and communities. Community development intermediaries include,  
24 but are not limited to, community development corporations,  
25 microbusiness lenders, and community development financial  
26 institutions.

27 (10) “Triple bottom line” means the economic, environmental,  
28 and social benefits arising from a project, investment, or  
29 community and economic development activity.

30 (11) “Small businesses” means a business with less than 100  
31 employees and with a gross revenue of less than five million dollars  
32 (\$5,000,000), or a business that is otherwise targeted by or  
33 participating in a federal or state program engaged in programs or  
34 services for small businesses. Application of this definition may  
35 only be used pursuant to a direct reference.

36 (12) “Community development” means a process designed to  
37 create conditions of economic and social prosperity for the whole  
38 community, or a targeted subset of the whole community, with the  
39 fullest possible reliance on the community’s initiative and active  
40 participation.

1 (13) “Financial institution capital” means resources of a financial  
2 institution, including, but not limited to, a bank or credit union,  
3 that are legally available to be used to generate wealth for the  
4 financial institution.

5 (14) “California Council on Science and Technology” means  
6 the council established by California academic research institutions,  
7 including the University of California, the University of Southern  
8 California, the California Institute of Technology, Stanford  
9 University, and the California State University, in support of  
10 Assembly Concurrent Resolution No. 162 (Res. Ch. 148, Stats.  
11 1988).

12 (15) “Microbusiness lender” means a nonprofit or nonbank  
13 lender that serves very small businesses in low- and  
14 moderate-income communities that experience barriers in accessing  
15 capital. These businesses are often owned by minorities,  
16 immigrants, women, and persons with disabilities. Microbusiness  
17 lenders generally provide loans under fifty thousand dollars  
18 (\$50,000) and offer business technical assistance, both preloan  
19 and postloan, to improve an applicant’s ability to qualify and  
20 successfully repay a loan.

21 SEC. 3. Section 13997.7 of the Government Code is amended  
22 and renumbered to read:

23 ~~13997.7.~~

24 ~~12098.7.~~ (a) Notwithstanding any other ~~provision~~ of law,  
25 effective January 1, 2008, the Economic Adjustment Assistance  
26 Grant funded through the United States Economic Development  
27 Administration under Title IX of the Public Works and Economic  
28 Development Act of 1965 (Grant No. 07–19–02709 and  
29 07–19–2709.1) shall be administered by the ~~Secretary of Business,~~  
30 ~~Transportation and Housing~~ *director*, and, for the purpose of state  
31 administration of this grant, the ~~secretary~~ *director* shall be deemed  
32 to be the successor to the former Secretary of Technology, Trade  
33 and Commerce. The ~~secretary~~ *director* may assign and contract  
34 administration of the grant to a public agency created pursuant to  
35 Chapter 5 (commencing with Section 6500) of Division 7 of Title  
36 1.

37 (b) On January 1, 2008, all federal moneys held in the Sudden  
38 and Severe Economic Dislocation Grant Account within the Special  
39 Deposit Fund are hereby transferred to the Small Business  
40 Expansion Fund created pursuant to Section 14030 of the

1 Corporations Code for expenditure by the ~~Business, Transportation~~  
2 ~~and Housing Agency~~ *office* pursuant to Article 9 (commencing  
3 with Section 14070) of the Corporations Code for purposes of the  
4 Sudden and Severe Economic Dislocation Grant program, or other  
5 purposes permitted by the cognizant federal agency.

6 (c) All loan repayments received on or after January 1, 2008,  
7 for the Sudden and Severe Economic Dislocation Grant program  
8 loans issued pursuant to former Section 15327 (repealed by Section  
9 1.8 of Chapter 229 of the Statutes of 2003 (AB 1757)) and this  
10 section, shall be deposited into the Small Business Expansion Fund  
11 and shall be available to the ~~Business, Transportation and Housing~~  
12 ~~Agency~~ *office* for expenditure pursuant to the provisions of Article  
13 9 (commencing with Section 14070) of the Corporations Code for  
14 the Sudden and Severe Economic Dislocation Grant program, or  
15 other purposes permitted by the cognizant federal agency.

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