

# **SB 341 (Lowenthal) Enterprise Zone: Environmental Impact Report**

**Introduced February 20, 2007**

## **TO IMPROVE ENTERPRISE ZONE DESIGNATION PROCESS**

### **BACKGROUND SHEET**

#### **PURPOSE**

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The state has established enterprise zones that stimulate business and industrial growth in the depressed areas of the state by providing tax and regulatory incentives to attract and retain private investment. The California Department of Housing and Community Development (HCD) selects zones through a competitive process. Upon filing a preliminary application, the applicant submits an initial environmental study and a notice of environmental impact report (EIR) preparation to HCD, the state clearinghouse, and all responsible agencies. However final California Environmental Quality Act (CEQA) review is only completed after the applicant has received a conditional enterprise zone designation from HCD.

Local governments can generally satisfy CEQA in one of three ways: a negative declaration, a mitigated negative declaration, or a full EIR. However, the enterprise zone law specifically requires zone applicants to certify a full EIR, even if one of the other alternatives would be appropriate. This requirement would delay final zone designation by many months and add significant costs to the process with no additional environmental benefit.

**SB 341** requires enterprise zone applicants to comply with CEQA prior to final zone designation but allows them to prepare and submit an environmental impact report,

negative declaration, or mitigated negative declaration as appropriate consistent with the current CEQA process.

#### **SUMMARY**

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**SB 341** would:

Allow enterprise zone applicants to comply with CEQA prior to final zone designation by allowing them to prepare and submit one of the following as appropriate:

- environmental impact report
- negative declaration
- mitigated negative declaration

#### **BACKGROUND**

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- The California enterprise zone came through the enactment of two separate programs. The 1984 Enterprise Zone Act and the Employment and Economic Incentive Act.
- At the end of 2006 California had 42 designated enterprise zones.
- A recently released "Cost-Benefit Analysis of California's Enterprise Zone Program" conducted by Applied Development Economics (ADE) states that enterprise zones bring a significant

net benefit to California. The return on the state's investment is 35%.

- Also, enterprise zones are an essential part of vitalizing distressed communities. Enterprise zones leverage investment in depressed areas – on average, local investments exceed State investments by over 700%, and zone communities have spent over \$3 billion in zones since designations began.
- The overall goal of enterprise zones is to increase investment in distressed communities by accelerating the implementation process for economic development.
- Improving the application process for enterprise zone designation allows for more efficiency, thus making the program more effective without comprising environmental quality.
- Current CEQA process requires submission of a negative declaration which declares that there is no negative environmental impacts, a mitigated negative declaration which states that the impacts are negative but can be mitigated, or a full environmental impact report.

## STAFF CONTACT

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## SUPPORT

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- None received as of 3/01/07.

## OPPOSITION

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- None received as of 3/01/07.

## STATUS

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- **Introduced 2/20/07.**