

Aiming for Clarity



■ Trade and Transportation

By Thomas O'Brien

In a recent Perspectives column, I commented that the jury was still out on what a Jerry Brown administration might mean for the trade and transportation sector. With trade volumes up at both our local ports there is reason to believe, as many suggest, that international trade will lead the recovery. But the governor still has a massive budget crisis on his hands, and actions taken in Sacramento to raise revenue, cut spending, or do both will help determine how ready the state will be to compete in the global trade arena, and whether or not it is viewed as a partner by not only the ports but the rest of the supply chain as well.

In the short term, it appears that the state's relationship with industry will be framed by a struggle between Sacramento and local governments over the control of revenue. Brown has proposed eliminating local redevelopment agencies, which have the power to identify areas of blight and benefit from tax increment financing as a result, as well as enterprise zone (EZ) incentives which give businesses tax credits for job creation within targeted areas. The trade sector does not rely upon either type of incentive when choosing where

to locate, but the governor has argued that the programs place an undue burden on the state's General Fund. Tax increment financing requires the state to make up shortfalls to cities and counties which could use the money currently going to redevelopment agencies for other purposes. And according to the governor, EZs in one area merely require the state to invest somewhere else. Until the issue of revenue transfer is resolved, neither state nor local government is in a position to be a partner to the trade sector in, for example, the development of infrastructure that truly determines where trade-related activity occurs.

Industry would also like some resolution over the implementation of California's Global Warming Solutions Act of 2006. Earlier this month, a judge in San Francisco ruled preliminarily that the law's "cap and trade" provisions could disproportionately impact disadvantaged communities. This means effectively that parts of the state's most far reaching piece of environmental legislation are in violation of the California Environmental Quality Act. This creates great uncertainty for manufacturers and others involved in trade and transportation, which might be impacted both positively and negatively by a cap and trade arrangement.

There are attempts to make things more predictable and transparent for industry. In December, Assemblyman Mike Gatto of the Glendale-Burbank area introduced a piece of legislation to streamline the permit process for commercial and industrial projects. Assembly Bill (AB) 49 would "require the Governor's Office of Permit Assistance to provide information to developers of

commercial and industrial projects explaining the permit approval process at the state and local levels, or assisting them in meeting statutory environmental quality requirements.” The bill would also offer state assistance to local governments in establishing and operating expedited permit processes, require a consolidated project information form for development projects, and require cities and counties with a population over 100,000 to identify a single point of contact for the permitting process.

The attempt is welcome news to an industry that often complains about state and local environmental standards that are sometimes in conflict and a review process that extends the life (and the cost) of a project to the point where it sometimes become infeasible. If the perception is that California is not business friendly, this is one way to show that it is.

But if the bill does advance, there will be issues to resolve. I imagine that both the public and the private sector will want to avoid any state-local coordination that ends up adding to the layers of complexity that currently exist, particularly if disputes end up being negotiated in Sacramento. And for the developers of commercial and industrial properties, the more immediate concern is not new property development but vacancies in existing properties. While vacancy rates for industrial properties are falling – a sign of recovery- 2010 saw the lowest amount of new industrial space added to the nation’s inventory capacity since the 1960s.

But competitiveness is a matter for government as well as industry. And while many would argue that project streamlining is just good business and shouldn’t have to be legislated, the fact is that the complexity of environmental issues in the state have created an equally complex regulatory environment. One bill won’t address many of the underlying concerns on all sides but it does identify some common ground, another kind of real estate that has suffered in this economic climate.