ORAL Statement by Assistant City Manager David Hewitt Accompanied by Redevelopment Director Dr. Kofi Sefa-Boakye

Re: Statement for Assembly Budget Subcommittee No. 4 – Enterprise Zone and Redevelopment Agency in Compton

February 7, 2010

Thank you Chairman and members of the Subcommittee for the opportunity to testify here today. My name is David Hewitt, and I am the Assistant City Manager of the City of Compton, California.

The combination of our Redevelopment Agency and the Enterprise Zone that we have had for the last four years, has worked just as the laws that created them intended. Let me tell you about Compton and what has been happening there.

My City has a population of 100,000 persons who live in an area encompassing 10.2 square miles in the heart of Los Angeles County. The City of Compton, also known as the Hub City, is surrounded by five major freeways and is located within 10 miles of three major ports of entry (LAX, Ports of Long Beach and Los Angeles). In addition, through the City's high-threat, high-density urban area runs the federally funded Alameda Corridor rail project, a 20-mile-long rail cargo expressway linking the ports of Long Beach and Los Angeles to the transcontinental rail network near

Downtown Los Angeles. In addition, SR-47, the main non-freeway truck access to the Ports of Los Angeles and Long Beach also runs parallel to the Corridor through the middle of my City. The importance of the Alameda Corridor to the national and regional economies is significant. A study conducted by the Alameda Corridor Transportation Authority noted that in 2005, the two ports generated $256 billion in trade value and affected 3.3 million jobs across the country. Yet, in spite of this economic machine bisecting our city, we currently have an unemployment rate hovering above 20% and an inordinant population of chronically unemployed including over 1,000 parolees. This is noteworthy because I am not aware of many cities whose population includes 1% parolees.

In 2007, our City was awarded an Enterprise Zone designation. Since then, the trajectory of our economic growth has changed; the Enterprise Zone has created 489 jobs and over $120,000 in fee revenue for the City of Compton. Those numbers would equate to about 5,868 jobs in a city with a population of 1.2 million like San Diego or 17,115 jobs in a city of over 3.5 million like Los Angeles. Accordingly, Compton's Enterprise Zone has already made a tremendous difference in our local economy by starting to reverse our negative job loss trend. We are just beginning to utilize the benefits of this program and again the Legislature is considering eliminating this program. In the 2008-09 Budget Bill analysis provided by the Legislative Analyst, a conclusion is provided supporting the recommendation of the elimination of Enterprise Zones which states, "It is not clear what additional benefits will be gained by extending the same incentives that have already been in place for as many as 20 years. Rather, other redevelopment policy tools could be more effective than extended use of EZ tax incentives." We are deeply concerned that the Legislature is not only reconsidering wholesale elimination of the Enterprise Zones but also eliminating the Redevelopment Agencies which are policies previously considered to be viable alternatives. Further, in the 2003 Legislative Analyst's report entitled An Overview of California's Enterprise Zone Hiring Credit, several key findings applicable to my City cannot be ignored. First the report notes, "Consequently, from a policymaker's perspective, EZ incentives tend to be most effective in assisting distressed areas when narrowly focused on small geographic areas." Further, the conclusions note "…although localized benefits could occur – EZ incentives are unlikely to result in significant net positive economic impacts absent additional targeted public investment." Our City has recently authorized the sale of over $120 million in redevelopment bonds to create targeted public investments.

We ask you to consider the Governor's proposals with both long-term and short-term economic impacts in mind to both the state and local governments. Along those lines, if this proposal continues to be considered, we ask that a compromise be worked out so that cities such as Compton are not cut off at the knees and that some of the gains, such as the $1 million increase to our sales tax base resulting from our redevelopment activities are allowed to continue to be effective in providing badly needed local revenues.

Dr. Kofi Sefa-Boakye, our Director of Redevelopment will provide more insights into our targeted developments and the potential funding issues created by the Governor's proposed budget cuts.

Thank you for the opportunity to testify here today. Your attention and assistance are appreciated.