

Date of Hearing: April 11, 2023

ASSEMBLY COMMITTEE ON ARTS, ENTERTAINMENT, SPORTS, AND TOURISM

Sharon Quirk-Silva, Chair

AB 1669 (Quirk-Silva) – As Introduced February 17, 2023

SUBJECT: California Historically Significant Commercial District Act

SUMMARY: Authorize the establishment of the California Historically Significant Commercial District Program to fund a comprehensive technical assistance program for Main Street communities, Cultural Districts, and other areas interested in enhancing the viability and resiliency of their commercial neighborhoods.

Specifically, **this bill:**

- 1) Upon appropriation by the Legislature, establishes the California Historically Significant Commercial District Program for the purpose of revitalizing and maintaining historically and culturally significant commercial corridors throughout the state by funding technical assistance, training, and other activities that increase the capacity of revitalization entities to provide business assistance programs and services that meet the unique needs of small businesses that operate within historic commercial districts.
- 2) Requires the program to be administered by the California Business Investment Services Unit within the Governor’s Office of Business and Economic Development (GO-Biz), in consultation with the Community and Placed-Based Solutions Unit.
- 3) Defines “historic commercial district” and “historically and culturally significant commercial corridor” to mean a geographic area within this state that is a mixed-use, compact, walkable district and characterized by all of the following:
 - a) Dense settlement.
 - b) Contiguous blocks of zero-lot-line buildings.
 - c) Buildings of varied ages.
 - d) A predominance of large ground-floor storefront display windows.
 - e) Multiple property ownership structures.
 - f) Significant public and private capital investment.
- 4) Defines “Main Street community” as a public or nonprofit entity formed to support the revitalization and maintenance of a historic commercial district that has demonstrated a commitment to the following:
 - a) Broad-based community commitment to the revitalization project, including municipal support.
 - b) Inclusive leadership and organizational capacity.

- c) Diversified funding sources and sustainable program operations.
 - d) Programming driven by a locally organized commercial district revitalization plan.
 - e) Preservation of historic and cultural assets as part of the commercial district revitalization plan.
 - f) Quantifiable impact assessment to demonstrate results.
- 5) Defines “Cultural district” to mean a geographical area that is certified as a state-designated cultural district by the California Arts Council.
- 6) Defines “Capacity-building services” to mean services that enhance the capacity of historic commercial corridor revitalization entities to design and implement commercial corridor revitalization plans, including, but not limited to:
- a) Onsite assessments of program delivery capacity, deployment of current resources, and opportunities for leveraging other public and private programs to meet small business development needs and improve the overall entrepreneurial ecosystem within the historic commercial corridor.
 - b) Training to increase the capacity of revitalization entities to provide small business training, counseling, and assistance that addresses the unique challenges and opportunities of being located within historic commercial corridors.
 - c) Training on how to coordinate and partner with other public and private programs to enhance access to these resources for small businesses located in historic commercial corridors, including, but not limited to, the Small Business Technical Assistance Program and the State Small Business Credit Initiative.
- 7) Requires the program to award grants to eligible statewide nonprofit organizations that specializes in the revitalization of historic commercial districts, including Main Street communities, and have the demonstrated ability to provide capacity-building services to eligible historic commercial corridor revitalization entities. Applications for the grants are required to include all of the following:
- a) Documentation that the applicant has the experience and capacity to provide technical assistance, training, and other services that increase the capacity of revitalization entities to use place-based tools to improve the entrepreneurial ecosystem to meet the needs of small businesses that operate within historic districts.
 - b) An outline, including timelines, on how the funding will be used to meet the requirements and purposes of this article.
 - c) Documentation that the applicant has the organizational capacity to monitor and report on the use of grant funds, including subgrants to eligible subgrantees.
 - d) Other information, as required by the California Business Investment Services Unit.

- 8) Requires grantees to report annually on the performance and outcomes from the training and technical assistance provided, the number of training events, and six months following the completion of the grant to submit a final outcomes report which includes, among other things, a detailed narrative description of how the funds awarded were used to expand the capacity of the statewide network of historic commercial corridor revitalization entities and to help underserved business owners and entrepreneurs within those districts to adapt new, place-based business strategies.
- 9) Provides additional conditions and requirements on the use of grant funds, including that grantees and any subgrantees will provide matching funds of at least one dollar for each dollar of state funds received. Up to 50 percent of the match may be in in-kind services or resources.

EXISTING LAW:

- 1) Establishes GO-Biz to serve the Governor as the lead entity for economic strategy and the marketing of California on issues relating to business development, private sector investment, international trade, and economic growth. Among other duties, GO-Biz is authorized to make recommendations to the Governor and Legislature on new state policies, programs, and actions, or amendments to existing programs to advance statewide economic goals, respond to emerging economic problems, and ensure that state policies and programs conform to the state's economic and business development goals. (Government Code (GOV) Section 12096-12100.110)
- 2) Establishes the California Business Investment Services Program within GO-Biz to serve business owners, employers, corporate executives, investors, and site location consultants who are considering California for business investment and expansion. (GOV 12096.5)
 - a) Requires GO-Biz to work cooperatively with local, regional, federal, and other public and private marketing institutions, economic developers, workforce training partners, and trade organizations in attracting, retaining, and helping businesses and investments grow and be successful in California.
 - b) Requires GO-Biz, to encourage activities that support the upward mobility of existing small businesses and residents.
 - c) Requires GO-Biz to work with partners and other stakeholders to moderate the impacts of gentrification that may lead to the displacement of residents and small businesses.
- 3) Finds and declares that small businesses form the core of the California economy and that it is in the interest of the state to increase opportunities and improve access to business and technical resources for entrepreneurs, the self-employed, and microbusiness and small business owners, particularly underserved business groups, including women, minority, and veteran-owned businesses, and businesses in low-wealth, rural, and disaster-impacted communities. (GOV 12100.61)
- 4) Establishes the California Main Street Program within the State Office of Historic Preservation and requires the program, upon sufficient funding being available, to provide technical assistance and training to governments of small cities, business organizations, merchants, and property owners to accomplish community and economic revitalization and

development of older central and historic business districts and neighborhoods. (Public Resources Code (PRC) Section 5079.70-5079.74)

- 5) Authorizes the California Arts Council to establish criteria and guidelines for certifying state-designated cultural districts for five years. A district is authorized to renew certification every three years. (GOV 8758)
- a) In executing its powers and duties under this chapter, the council shall do all of the following:
 - i) Establish a competitive application system by which a community may apply for certification as a state-designated cultural district.
 - ii) Provide technical assistance for state-designated cultural districts from, among others, artists who have experience with cultural districts and provide promotional support for state-designated cultural districts.
 - iii) Collaborate with other public agencies and private entities to maximize the benefits of state-designated cultural districts.
 - b) Authorizes the California Arts Council to solicit and receive gifts, donations, bequests, grants of funds, or any other revenues, from public or private sources and expend those moneys, upon appropriation by the Legislature, for a state-designated cultural district program, as specified. (GOV 8753)
 - c) Defines a “state-designated cultural district” to mean a geographical area certified pursuant to this chapter with a concentration of cultural facilities, creative enterprises, or art venues that does any of the following: (GOV 8758)
 - i) Attracts artists, creative entrepreneurs, and cultural enterprises.
 - ii) Encourages economic development and supports entrepreneurship in the creative community.
 - iii) Encourages preserving and reusing of historic buildings and other artistic and culturally significant structures.
 - iv) Fosters local cultural development.
 - v) Provides a focal point for celebrating and strengthening the community’s unique cultural identity.
 - vi) Promotes opportunity without generating displacement or expanding inequality.

FISCAL EFFECT: Unknown. This measure has been keyed fiscal by the Legislative Counsel.

COMMENTS:

- 1) Author’s Statement. According to the author, “At the heart of California’s communities, historically and culturally significant commercial corridors are places where diverse small businesses can thrive. We recognize that these businesses face specific challenges to succeed. Through place-based strategies and tailored support services, we can help local small businesses grow and connect to broader networks of support.”

- 2) Background. Historically significant commercial districts are essential for small business activity, housing diverse industries, and fostering new start-up businesses. Business ownership within these districts is also diverse: 36% of owners in Main Street districts are racial minorities, compared to 27% ownership statewide.

However, entrepreneurs within these districts face unique challenges in launching, marketing, and scaling their businesses. Place-based techniques and innovative technologies can help transform these challenges into resilient business opportunities.

California currently supports cultural districts, in general, and small businesses, individually. The program provides services that fill a key gap in the state's entrepreneurial support system for the revitalization of commercial districts that are also places of historical significance and incubators of small businesses and economic activity.

- 3) California Main Street Program. The Office of the Historical Preservation, led by the State Historic Preservation Officer, plays a vital role in preserving historic and cultural resources in California. One component of their activities is assisting local communities in integrating preservation into the broader context of overall community land-use planning and economic development activities.

The Office of Historic Preservation is statutorily tasked, pending receipt of funding, with overseeing the California Main Street Program, which provides technical assistance and training for governments of small cities, business organizations, merchants, and property owners to help them successfully undertake community and economic revitalization and development of older central and historic business districts and neighborhoods. Due to budgetary constraints, the Office currently has limited capacity to provide local assistance. Where possible, however, the Office of Historic Preservation co-sponsors conferences and other training opportunities.

At the core of the Main Street Program is the "Main Street Approach" which combines community and economic development with historic preservation and cultural respect. The Main Street Approach is a comprehensive and integrated framework communities can use to identify their assets, competitive advantages, and build from those strengths. The Main Street Approach is organized around four pillars from which communities create their own transformational strategies. Those four pillars include economic vitality, design, promotion, and organization.

There are 31 California Main Street communities who are members of the California Main Street Alliance, including: Arcata, Bellflower, Benicia, Brentwood, Cardiff-by-the-Sea, Carlsbad, Chico, Coachella, Coronado, East Oakland, Encinitas, Eureka, Fremont, Fruitvale Village (Oakland), Grass Valley, Gilroy, Hanford, Hollister, Leucadia, Livermore, Mariposa, Martinez, Oakley, Ocean Beach (San Diego), Oceanside, Paso Robles, Pleasanton, Redding, Richmond, San Luis Obispo, and San Jacinto.

- 4) Impacts of COVID-19. Small businesses experienced some of the most severe economic impacts from the COVID-19 pandemic, particularly small businesses owned by women, people of color, and other marginalized groups.

- a) While it is estimated that over 2,000 businesses in California closed during the early months of the pandemic, new business formation rose dramatically, with California experiencing a 21.7% increase in new businesses in 2020.
- b) After subsequent years of challenges including lost revenue, pandemic adaptation, and staffing issues, entrepreneurs in 2023 face slowing economic growth and possible recession.
- c) Supporting existing and new small businesses can bolster California's economy during this economic downturn, as 48.2% of California workers are employed in small businesses, with 88.7% of all workers employed in businesses with 20 or fewer employees.

To remediate pandemic impacts, the federal government approved billions of new infrastructure spending and created new resources to support small businesses focusing on expanding opportunities for underserved small businesses and deploying capital.

- a) The US Treasury approved a formula-based award to California of up to \$1.1 billion and a performance-based award of up to \$200 million in State Small Business Credit Initiative (SSBCI) funds.
 - b) Given these uncertain economic times with rising interest rates and energy costs, California should leverage these federal dollars to help sustain local economies.
 - c) One of the first SSBCI hurdles California faces is having a sufficient number of finance-ready small businesses to access the performance-based awards, which requires 49% of first-tranche funding to go to businesses owned by socially and economically disadvantaged individuals (SEDI).
- 5) Arguments in support. According to the bill's sponsor, the California Main Street Association (CAMS), "Since 1986, CAMS has provided dedicated assistance to organizations formed to revitalize California's downtowns and neighborhood commercial corridors. These corridors are places of historical and cultural significance and hubs of small business activity. To thrive in a historically significant commercial corridor, businesses need specific technical assistance and help navigating resources. Further, the entities working to support underserved small businesses in these districts can deepen their impact through training, networks, and funding opportunities. We are pleased to support the California Historically Significant Commercial District Program, which will help Main Street and Cultural district entities to be effective conduits of support and resources for underserved entrepreneurs while activating our state's historic districts."
- 6) Double-referral. Should this bill pass out of this committee, it will be re-referred to the Assembly Committee on Jobs, Economic Development, and the Economy.
- 7) Prior and related legislation:
- a) AB 2226 (Cervantes), of 2022, would have required GO-Biz to include the California Main Street Program, cultural districts certified by the California Arts Council, Promise Zones, and Opportunity Zones into the public content GO-Biz provides about place-based

and other specified geographically targeted economic development programs. (Status: The bill was held in the Assembly Committee on Appropriations.)

- b) AB 742 (Cervantes), of 2019, would have established a new unit, the Office of Place-Based Economic Strategies, within GO-Biz to assist communities who have been federally designated as Opportunity Zones, Promise Zones, or other geographically targeted economic development areas. (Status: The bill was held in the Assembly Committee on Appropriations.)
- c) SB 635 (Hueso), Chapter 888, Statutes of 2018, authorized GO-Biz to develop and post information on its website, as well as undertake other outreach activities, which support Promise Zones and Opportunity Zones, as specified. The bill also required GO-Biz to convene representatives from various state and federal programs to discuss how California can leverage the federal Promise Zones or Opportunity Zones to meet state and local community and economic development needs, as specified.
- d) AB 1178 (Bocanegra), of 2014, would have established the California Promise Neighborhood Initiative to develop a system of 40 promise neighborhoods throughout California to support children's development from cradle to career. (Status: The bill was held in the Assembly Committee on Appropriations.)

REGISTERED SUPPORT / OPPOSITION:

Support

California Main Street
 Cameo - California Association for Micro Enterprise Opportunity
 Cardiff by the Sea Chamber of Commerce
 City of Bellflower
 City of Brentwood
 City of Livermore
 Lisc San Diego
 Livermore Downtown INC
 Main Street America
 Main Street Oceanside, INC.
 Making Hope Happen Foundation
 Microenterprise Collaborative of Inland Southern California
 National Main Street Center
 Ocean Beach Mainstreet Association
 Santa Paula Chamber of Commerce
 The Leucadia 101 Main Street Association
 The Unity Council
 Uptown Fox, LLC
 Viva Downtown Redding

Opposition

There is no opposition on file.

Analysis Prepared by: Brian Anderson / A.,E.,S., & T. / (916) 319-3450