

**Construction Jobs Policy**  
**Oakland Army Base Project**  
**Public Improvements**

**I. Purpose.** This Construction Jobs Policy sets forth certain requirements regarding hiring and employment for the construction of the Public Improvements on the former Oakland Army Base, as defined below and further described in that certain Lease Development and Disposition Agreement between the City of Oakland and Prologis CCIG Oakland Global, LLC dated \_\_\_\_\_. Contractors participating in the construction of the Public Improvements agree to comply with terms of this Construction Jobs Policy as a condition of operation, as more particularly set forth herein.

**II. Definitions.** As used herein, the following capitalized terms shall have the following meanings. All definitions include both the singular and plural form.

“**Apprentice**” shall mean an individual who is enrolled in a Registered Apprenticeship Program on the date that such individual is hired or assigned to perform the applicable work.

“**Apprentice Work Hours**” shall mean Project Work Hours performed by Apprentices.

“**Background Exceptions**” shall mean: (i) law, regulation or policy of any applicable governmental or quasi-governmental body (including, but not limited to, those established under the Transportation Worker Identification Credential program and the Customs Trade Partnership Against Terrorism); or (ii) the Contractor’s good faith determination that the position is of such sensitivity that individuals with particular types of criminal convictions or histories are ineligible.

“**City**” shall mean the City of Oakland.

“**Contractor**” shall mean any entity employing individuals to perform Project Construction Work, including Prime Contractor and subcontractors of any tier.

“**Developer**” shall mean Prologis CCIG Oakland Global, LLC and its approved successors, assigns and transferees, as set forth in the LDDA.

“**Disadvantaged Worker**” shall mean a Resident meeting eligibility criteria for California Enterprise Zone Hiring Credits, as set forth in Cal. Rev. & Tax Code Sec. 23622.7(b)(4)(A), as in effect on the LDDA Execution Date, a copy of which is attached hereto as Schedule 1.

“**Jobs Center**” shall mean a referral center to be designated by the City as such for purposes of implementation of this Policy.

“**LDDA**” shall mean that Lease Disposition and Development Agreement described in Section I, above, and entered into by the City and Developer respecting the development activities at the Oakland Army Base, as may be amended from time to time.

“**LDDA Execution Date**” shall mean the date the LDDA is signed by all parties as set forth in Section I, above.

“**Manager**” shall mean the City's construction project manager, California Capital & Investment Group, Inc., as set forth in Article III of the LDDA and in the Property Management Agreement.

“**New Apprentice**” shall mean a Resident who is newly enrolled (less than 3 months) as an Apprentice on the date that such individual is hired or assigned to perform the applicable work.

“**PLA**” shall mean a project labor agreement between the City and the Unions addressed in Section IV.B, below.

“**Policy**” shall mean this Construction Jobs Policy for Public Improvements.

“**Prime Contractor**” shall mean a Contractor awarded a contract directly by Developer, the City, Manager, or a construction manager to one of those parties, for performance of Project Construction Work. The parties acknowledge that, as of the LDDA Execution Date, the only contracts for Project Construction Work that are expected to be issued by Developer are the contracts related to the Developer Funded Wharf Improvements (and then only if Developer exercises its option to construct the same pursuant to Section 3.5.1 of the LDDA).

“**Project**” shall mean the redevelopment activities occurring on the portions Project Site.

“**Project Construction Work**” shall mean construction work performed on the Project Site and in furtherance of the Public Improvements.

“**Project Site**” shall mean the portion of the former Oakland Army Base owned by the City known as the Gateway Development Area and consisting of the East Gateway, Central Gateway, West Gateway, North Gateway and AMS Site parcels, as described in the LDDA.

“**Project Work Hours**” shall mean hours of Project Construction Work performed on the Project Site.

“**Property Management Agreement**” shall mean that agreement between California Capital & Investment Group, Inc., and the City, which defines the duties of the Manager, including acting as the City's construction project manager for the Public Improvements.

“**Public Improvements**” shall mean construction work described in the Scope of Public Improvements attached to the LDDA and performed on the Project Site pursuant to Article III of the LDDA and Section 4 of the Property Management Agreement.

“**Registered Apprenticeship Program**” shall mean a labor-management apprenticeship program that is currently registered with the State of California’s Division of Apprenticeship Standards.

“**Resident**” shall mean an individual domiciled in the City for at least six (6) months prior to the date that such individual is hired or assigned to perform the applicable work, with “domiciled” as defined by Section 349(b) of the California Election Code, as in effect as of the LDDA Execution Date attached, as hereto as Schedule 2.

“**Union**” shall mean construction trades union(s).

### **III. EMPLOYMENT REQUIREMENTS.**

**A. Alternative Approaches.** Each Contractor shall either follow the processes set forth in Section III.B, below, or satisfy the percentage requirements set forth in Section III.C, below.

#### **B. Hiring and Referral Processes.**

**1. Contractor Procedures.** Contractors shall undertake the following steps in the following order, in an effort to retain Residents, Disadvantaged Workers, and Apprentices:

- a. Step One:** Utilize the Contractor’s discretion to assign to perform Project Construction Work any current employees who are Residents, identified Disadvantaged Workers, Apprentices;
- b. Step Two:** If the Contractor utilizes a Union hiring hall to retain workers, utilize name call, rehire, or similar procedures in the relevant collective bargaining agreement to request particular individuals who have been identified as Residents, Disadvantaged Workers, or Apprentices;
- c. Step Three:** If the Contractor utilizes a Union hiring hall to retain workers, request that the hiring hall refer Residents, Disadvantaged Workers, or Apprentices;
- d. Step Four:** If the above steps have not enabled satisfaction of the percentage requirements set forth in Section III.C of this Policy related to hiring of Residents, Disadvantaged Workers, or Apprentices, request referral of needed categories of workers from the Jobs Center;
- e. Step Five:** Fairly consider workers that have been referred by the Jobs Center within three (3) business days of request

therefor.

**2. Hiring Discretion.** Nothing in this Policy shall require that any Contractor hire any particular individual; each Contractor shall have the sole discretion to hire any individual referred by the Jobs Center or any other person or entity.

**C. Percentage Requirements.** The requirements of this Section III.C shall be satisfied if:

**1. Residents.** For each construction trade in which a Contractor performs Project Construction Work, at least fifty percent (50%) of Project Work Hours are performed by Residents.

**2. Disadvantaged Workers.** For each construction trade in which a Contractor performs Project Construction Work, at least twenty-five percent (25%) of hours worked by Apprentices are performed by Disadvantaged Workers.

**3. Apprentices.** For each construction trade in which a Contractor performs Project Construction Work, twenty percent (20%) of Project Work Hours are performed by Apprentices.

**4. Credit for Hours Worked on Other Projects.** For purposes of determining the percentage of Project Work Hours performed by Residents under Section III.C.1 or Disadvantaged Workers under Section III.C.2, any hours of construction work performed by Residents or Disadvantaged Workers on other construction projects performed by a Contractor (or, if the Contractor is a joint venture, by the entities that comprise the joint venture) during the term of the Project Construction Work (i.e., the period commencing on the Contractor's execution of a contract for the performance of Project Construction Work and expiring on the substantial completion of the work required under such contract) shall be credited as Project Work Hours performed by Residents or Disadvantaged Workers, as applicable, in the applicable construction trade (and shall not increase the total number of Project Work Hours, including those applicable to such construction trade).

**5. Bonus for Retention of New Apprentices.** For every one thousand (1,000) hours beyond an initial one thousand (1,000) hours that any one New Apprentice works for a Contractor (on the Project Construction Work or otherwise during the term of the Contractor's Project Construction Work), such Contractor shall be entitled to five hundred (500) "bonus" hours that may be applied toward satisfaction of the percentage requirements set forth in Section III.C.1.

**D. New Apprentice Sponsorship Requirements for Prime Contractors.** In each calendar year, for each twenty thousand (20,000) Project Work Hours performed by a Prime Contractor (for the avoidance of doubt, including its subcontractors of any tier), such Prime Contractor and/or any of its subcontractors of any tier shall sponsor one (1) or more New Apprentice(s) and employ such New Apprentice(s) for an aggregate total of at least one thousand

(1,000) hours of Project Construction Work and/or construction work on other projects during the term of the Prime Contractor's Project Construction Work.

**E. Funding Restrictions.** For any portion of the Project Construction Work on which, based on use of federal or state funds, a federal or state agency prohibits application of any of the requirements of this Policy, the City will, after consultation with Developer, work collaboratively with the funding agency to adapt the requirements of this Policy to the restrictions imposed by the funding agency, advancing the goals of this Policy to the greatest extent permitted by the funding agency. In such cases, Developer and the City shall meet and confer with regard to the adapted requirements agreed to by the City and the funding agency, and such requirements shall be applied to portions of the Project Construction Work in question performed after the imposition of the adapted requirements, and shall automatically become terms of this Construction Jobs Policy, to which all Contractors agree.

**F. Contact Person.** At least two (2) weeks prior to performance of Project Construction Work, or within two (2) business days after execution of a contract for performance of Project Construction Work, whichever is later, each Contractor shall provide to the City contact information for a contact person for purposes of implementation of this Policy.

**G. Employment Needs Projections.**

**1. Prime Contractor.** Within one (1) month after being awarded a prime contract for Project Construction Work, any Prime Contractor shall project employment needs by Project Work Hours for performance of the contract, and provide such projection to the Jobs Center and the City. Such projection shall indicate number of workers, apprentices, and Project Work Hours needed by trade, at different stages of performance of the contract.

**2. Subcontractors.** Each Contractor shall, at least one (1) month before commencing performance of Project Construction Work, or within two (2) business days after execution of a contract for performance of Project Construction Work, whichever is later, project employment needs for performance of the contract, and provide such projection to the Jobs Center and the City. Such projection shall indicate number of workers, apprentices, and Project Work Hours needed by trade, at different stages of performance of the contract.

**3. Compliance Plan.** Prior to commencement of construction, Prime Contractors may request participation from the City in negotiation of a proactive compliance plan with regard to requirements of this Policy. The City shall negotiate in good faith in an attempt to reach agreement on such a plan. Negotiated compliance plans may streamline and clarify responsibilities under this Policy, but may not conflict with this Policy. If such a plan is agreed to by Prime Contractor and the City, then compliance with the plan shall be compliance with this Policy.

**H. Determination of Status.** The applicable Contractor's determination of whether any individual is a Resident or New Apprentice shall be binding in determining whether the requirements of this Policy have been satisfied, including the requirements of Sections III.B and III.C, provided that such Contractor obtains reasonable documentation demonstrating that such

individual is a Resident or New Apprentice at the time that such individual is assigned or hired and such Contractor retains such documentation and makes it available to City for inspection at reasonable times. The City shall keep all documentation provided pursuant to this Section III.H confidential, subject to applicable law. The Jobs Center shall make determinations of Disadvantaged Worker status. The Jobs Center shall make such determinations promptly upon request from a Contractor, a Union, an apprenticeship program, or the City.

**I. Worker Qualifications.** Unless a criminal background check is required by any of the Background Exceptions, a Contractor shall neither request from prospective workers, nor independently research prospective workers' history of involvement with the criminal justice system. Where a criminal background check is required by any Background Exception, subject to the requirements of such Background Exception the Contractor shall: (a) include the following statement in the position description: "This position is subject to a background check for any convictions related to its responsibilities and requirements. Only criminal histories (i) related to job requirements and responsibilities or (ii) related to violent acts will be considered and will not automatically disqualify a finalist candidate."; (b) undertake the background check only after the initial interview (or, if no interview is undertaken, after a candidate has received a conditional offer of employment for the position in question); (c) consider only criminal histories (i) related to job requirements and responsibilities or (ii) related to violent acts; and (d) take into account the age of the individual at the time of the offense, the time that has passed since the offense, the nature and seriousness of the offense, and any evidence of the individual's rehabilitation. Unless a credit history is required by any of the Background Exceptions or Contractor's good faith determination that the position is of such sensitivity that individuals with particular types of credit histories are ineligible, a Contractor shall neither request, nor independently research, prospective workers' credit histories.

#### **IV. MISCELLANEOUS.**

**A. Reporting Requirements.** Contractors shall submit monthly certified payroll records to the City, with an indication as to which hours of Project Construction Work were worked by Residents, Disadvantaged Workers, Apprentices, and New Apprentices. Each Contractor shall also provide other records or information requested by the City regarding fulfillment of responsibilities under this Policy. All such records and information shall be considered public documents. Prior to such documents being released to the public, the City will redact identifying information from such documents to protect privacy of individuals.

**B. Project Labor Agreement.** As set forth in the LDDA, in order to protect the City's proprietary interest in prompt completion of Public Improvements, and to implement this Policy, the City has or will have entered into a Project Labor Agreement (PLA) with the Building and Construction Trades Council of Alameda County covering the Public Improvements, with contractors and subcontractors to perform work under terms of such PLA, and such PLA to be consistent with and facilitate compliance with this Policy.

**C. Contract/Subcontracts.** Manager under the Property Management Agreement shall include compliance with this Policy as a material term of any contract entered into by the

Manager under which Project Construction Work will be performed. If Manager complies with this Section IV.C, Manager shall not be liable for any breach of this Policy by any Contractor (or any Contractor's subcontractors at any sub-tier level). Each Contractor shall include compliance with this Policy as a material term of any subcontract under which Project Construction Work will be performed (including, as applicable, any construction management agreement), with such subcontractor having all rights and responsibilities of a Contractor. If a Contractor enters into a subcontract in violation of this Section III.C, then such Contractor shall be liable for any breach of this policy at any sub-tier level(s). If a Contractor complies with this Section III.C, such Contractor shall not be liable for any breach of this policy at any sub-tier level.

**D. Assurance Regarding Preexisting Contracts.** Each Contractor warrants and represents that as of the date that a contract incorporating this Policy became effective, it has executed no contract pertaining to the Project or the Project Site that would have violated this Policy had it been executed after that date, or would interfere with fulfillment of or conflict with terms of this Policy. If, despite this assurance, an entity that has agreed to comply with this Policy has entered into such contract, then upon request from the City it shall either amend that contract to include the provisions required by this Policy, or terminate that contract.

**E. Third Party Beneficiaries.** The City is an intended third-party beneficiary of any contract that incorporates this Policy, but only for the purposes of enforcing the terms of this Policy. There shall be no other third party beneficiaries of this Policy. The City shall not delegate any of its responsibilities to any third party, require the consent of any third party or act solely upon the direction of any third party in performing its obligations or exercising its rights under this Policy.

**F. Remedies.**

**1. Liquidated Damages for Percentage Requirements.** If a Contractor fails to satisfy at least one of the alternative approaches required by Section III.A of this Policy, then as the sole and exclusive remedy therefor, such Contractor shall pay to the City liquidated damages in an amount equal to twenty dollars (\$20) for each hour short of the percentage requirement. For example, if there are one thousand (1,000) Project Work Hours, with four hundred fifty (450) Project Work Hours performed by Residents, then the liquidated damages shall be in an amount equal to  $\$20 \times 50 = \$1,000$ . A Contractor shall not owe liquidated damages if it negotiates a compliance plan with the City pursuant to Section III.G.3, and complies with such negotiated compliance plan. Any liquidated damages collected by the City shall be used solely to support training, referral, monitoring, or technical assistance to advance the purposes of this Policy.

**2. Specific Performance.** Except with respect to Contractor's failure to satisfy at least one of the alternative approaches required by Section III.A (for which the sole and exclusive remedy is set forth in Section IV.F.1), the City may bring an action for specific performance to ensure compliance with this Policy.

**G. Out-of-State Workers.** The requirements of Sections III.B (with respect to the hiring of Residents and Disadvantaged Workers), III.C.1 and III.C.2 shall not apply to Project

Work Hours performed by residents of states other than the State of California (and such hours shall not be considered Project Work Hours for purposes of determining satisfaction of the percentage requirements of Section III.C.1 and III.C.2). Notwithstanding the above, if, for any calendar year, the percentage of Project Work Hours worked by residents of states other than the State of California exceeds thirty percent (30%) of Project Work Hours in such calendar year, then for all subsequent years of work on the Project, the first sentence of this Section IV.G. shall not apply, and the requirements of Section III.B (with respect to the hiring of Residents and Disadvantaged Workers), and the percentage requirements of Sections III.C.1 or III.C.2, shall be applicable to all Project Work Hours, including those performed by residents of states other than the State of California.

**H. Material Term.** This Policy is a material term of any contract into which it is incorporated.

**I. Severability.** If any of the provisions of this Policy are held by a court of competent jurisdiction to be invalid, void, illegal, or unenforceable, that holding shall in no way affect, impair, or invalidate any of the other provisions of this Policy. If this Policy's Resident qualification is deemed invalid by final decision of a court of competent jurisdiction, then "Resident" shall mean an individual domiciled in the City prior to the date that such individual is hired or assigned to perform the applicable work, with "domiciled" as defined by Section 349(b) of the California Election Code, as in effect on the LDDA Execution Date.

**J. Applicable Law and Compliance with Law.** This Policy shall be governed by and construed in accordance with the laws of the State of California and the United States and shall be enforced only to the extent that it is consistent with those laws. Parties who have agreed to comply with this Policy agree: (i) that their understanding is that all terms of this Policy are consistent with federal, state, and local law; and (ii) that this Policy shall be reasonably interpreted so as to comply with any conflicting law.

**K. Successors and Assigns.** This Policy shall be binding upon and inure to the benefit of successors and assigns of any party to a contract incorporating this Policy. References in this Policy to any entity shall be deemed to apply to any successor of that entity.

**L. Warranties and Representation.** Each party to a contract incorporating this Policy agrees not to either affirmatively or by way of defense seek to invalidate or otherwise avoid application of the terms of this Policy in any judicial action or arbitration proceeding; has had the opportunity to be consult counsel regarding terms of this Policy, and has agreed to such terms voluntarily as a condition of entering into a contract that incorporates this Policy. This Policy shall not be strictly construed against any entity, and any rule of construction that any ambiguities be resolved against the drafting party shall not apply to this Policy.

Schedule 1

Cal. Rev. & Tax Code Sec. 23622.7(b)(4)(A)

**§ 23622.7. Credit against tax; taxpayers employing qualified employees in enterprise zones**

(a) There shall be allowed a credit against the "tax" (as defined by Section 23036) to a taxpayer who employs a qualified employee in an enterprise zone during the taxable year. The credit shall be equal to the sum of each of the following:

- (1) Fifty percent of qualified wages in the first year of employment.
- (2) Forty percent of qualified wages in the second year of employment.
- (3) Thirty percent of qualified wages in the third year of employment.
- (4) Twenty percent of qualified wages in the fourth year of employment.
- (5) Ten percent of qualified wages in the fifth year of employment.

(b) For purposes of this section:

(1) "Qualified wages" means:

(A)(i) Except as provided in clause (ii), that portion of wages paid or incurred by the taxpayer during the taxable year to qualified employees that does not exceed 150 percent of the minimum wage.

(ii) For up to 1,350 qualified employees who are employed by the taxpayer in the Long Beach Enterprise Zone in aircraft manufacturing activities described in Codes 3721 to 3728, inclusive, and Code 3812 of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition, "qualified wages" means that portion of hourly wages that does not exceed 202 percent of the minimum wage.

(B) Wages received during the 60-month period beginning with the first day the employee commences employment with the taxpayer. Reemployment in connection with any increase, including a regularly occurring seasonal increase, in the trade or business operations of the taxpayer does not constitute commencement of employment for purposes of this section.

(C) Qualified wages do not include any wages paid or incurred by the taxpayer on or after the zone expiration date. However, wages paid or incurred with respect to qualified employees who are employed by the taxpayer within the enterprise zone within the 60-month period prior to the zone expiration date shall continue to qualify for the credit under this section after the zone expiration date, in accordance with all provisions of this section applied as if the enterprise zone designation were still in existence and binding.

(2) "Minimum wage" means the wage established by the Industrial Welfare Commission as provided for in Chapter 1 (commencing with Section 1171) of Part 4 of Division 2 of the Labor Code.

(3) "Zone expiration date" means the date the enterprise zone designation expires, is no longer binding, or becomes inoperative.

(4)(A) "Qualified employee" means an individual who meets all of the following requirements:

(i) At least 90 percent of whose services for the taxpayer during the taxable year are directly related to the conduct of the taxpayer's trade or business located in an enterprise zone.

(ii) Performs at least 50 percent of his or her services for the taxpayer during the taxable year in an enterprise zone.

(iii) Is hired by the taxpayer after the date of original designation of the area in which services were performed as an enterprise zone.

(iv) Is any of the following:

(I) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a person eligible for services under the federal Job Training Partnership Act (29 U.S.C. Sec. 1501 et seq.), or its successor, who is receiving, or is eligible to receive, subsidized employment, training, or services funded by the federal Job Training Partnership Act, or its successor.

(II) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a person eligible to be a voluntary or mandatory registrant under the Greater Avenues for Independence Act of 1985 (GAIN) provided for pursuant to Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, or its successor.

(III) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was an economically disadvantaged individual 14 years of age or older.

(IV) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a dislocated worker who meets any of the following:

(aa) Has been terminated or laid off or who has received a notice of termination or layoff from employment, is eligible for or has exhausted entitlement to unemployment insurance benefits, and is unlikely to return to his or her previous industry or occupation.

(bb) Has been terminated or has received a notice of termination of employment as a result of any permanent closure or any substantial layoff at a plant, facility, or enterprise, including an individual who has not received written notification but whose employer has made a public announcement of the closure or layoff.

(cc) Is long-term unemployed and has limited opportunities for employment or reemployment in the same or a similar occupation in the area in which the individual resides, including an individual 55 years of age or older who may have substantial barriers to employment by reason of age.

(dd) Was self-employed (including farmers and ranchers) and is unemployed as a result of general economic conditions in the community in which he or she resides or because of natural disasters.

(ee) Was a civilian employee of the Department of Defense employed at a military installation being closed or realigned under the Defense Base Closure and Realignment Act of 1990.

(ff) Was an active member of the armed forces or National Guard as of September 30, 1990, and was either involuntarily separated or separated pursuant to a special benefits program.

(gg) Is a seasonal or migrant worker who experiences chronic seasonal unemployment and underemployment in the agriculture industry, aggravated by continual advancements in technology and mechanization.

(hh) Has been terminated or laid off, or has received a notice of termination or layoff, as a consequence of compliance with the Clean Air Act.

(V) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a disabled individual who is eligible for or enrolled in, or has completed a state rehabilitation plan or is a service-connected disabled veteran, veteran of the Vietnam era, or veteran who is recently separated from military service.

(VI) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was an ex-offender. An individual shall be treated as convicted if he or she was placed on probation by a state court without a finding of guilt.

(VII) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a person eligible for or a recipient of any of the following:

(aa) Federal Supplemental Security Income benefits.

(bb) Aid to Families with Dependent Children.

(cc) CalFresh benefits.

(dd) State and local general assistance.

(VIII) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a member of a federally recognized Indian tribe, band, or other group of Native American descent.

(IX) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a resident of a targeted employment area (as defined in Section 7072 of the Government Code).

(X) An employee who qualified the taxpayer for the enterprise zone hiring credit under former Section 23622 or the program area hiring credit under former Section 23623.

(XI) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a member of a targeted group, as defined in Section 51(d) of the Internal Revenue Code [FN1], or its successor.

(B) Priority for employment shall be provided to an individual who is enrolled in a qualified program under the federal Job Training Partnership Act or the Greater Avenues for Independence Act of 1985 or who is eligible as a member of a targeted group under the Work Opportunity Tax Credit (Section 51 of the Internal Revenue Code), or its successor.

(5) "Taxpayer" means a corporation engaged in a trade or business within an enterprise zone designated pursuant to Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code.

(6) "Seasonal employment" means employment by a taxpayer that has regular and predictable substantial reductions in trade or business operations.

(c) The taxpayer shall do both of the following:

(1) Obtain from the Employment Development Department, as permitted by federal law, the local county or city Job Training Partnership Act administrative entity, the local county GAIN office or social services agency, or the local government administering the enterprise zone, a certification that provides that a qualified employee meets the eligibility requirements specified in

clause (iv) of subparagraph (A) of paragraph (4) of subdivision (b). The Employment Development Department may provide preliminary screening and referral to a certifying agency. The Employment Development Department shall develop a form for this purpose. The Department of Housing and Community Development shall develop regulations governing the issuance of certificates by local governments pursuant to subdivision (a) of Section 7086 of the Government Code.

(2) Retain a copy of the certification and provide it upon request to the Franchise Tax Board.

(d)(1) For purposes of this section:

(A) All employees of all corporations which are members of the same controlled group of corporations shall be treated as employed by a single taxpayer.

(B) The credit, if any, allowable by this section to each member shall be determined by reference to its proportionate share of the expense of the qualified wages giving rise to the credit, and shall be allocated in that manner.

(C) For purposes of this subdivision, "controlled group of corporations" means "controlled group of corporations" as defined in Section 1563(a) of the Internal Revenue Code, except that:

(i) "More than 50 percent" shall be substituted for "at least 80 percent" each place it appears in Section 1563(a)(1) of the Internal Revenue Code.

(ii) The determination shall be made without regard to subsections (a)(4) and (e)(3)(C) of Section 1563 of the Internal Revenue Code.

(2) If an employer acquires the major portion of a trade or business of another employer (hereinafter in this paragraph referred to as the "predecessor") or the major portion of a separate unit of a trade or business of a predecessor, then, for purposes of applying this section (other than subdivision (e)) for any calendar year ending after that acquisition, the employment relationship between a qualified employee and an employer shall not be treated as terminated if the employee continues to be employed in that trade or business.

(e)(1)(A) If the employment, other than seasonal employment, of any qualified employee with respect to whom qualified wages are taken into account under subdivision (a) is terminated by the taxpayer at any time during the first 270 days of that employment, whether or not consecutive, or before the close of the 270th calendar day after the day in which that employee completes 90 days of employment with the taxpayer, the tax imposed by this part for the taxable year in which that employment is terminated shall be increased by an amount equal to the credit allowed under subdivision (a) for that taxable year and all prior taxable years attributable to qualified wages paid or incurred with respect to that employee.

(B) If the seasonal employment of any qualified employee, with respect to whom qualified wages are taken into account under subdivision (a) is not continued by the taxpayer for a period of 270 days of employment during the 60-month period beginning with the day the qualified employee commences seasonal employment with the taxpayer, the tax imposed by this part, for the taxable year that includes the 60th month following the month in which the qualified employee commences seasonal employment with the taxpayer, shall be increased by an amount equal to the credit allowed under subdivision (a) for that taxable year and all prior taxable years attributable to qualified wages paid or incurred with respect to that qualified employee.

(2)(A) Subparagraph (A) of paragraph (1) shall not apply to any of the following:

(i) A termination of employment of a qualified employee who voluntarily leaves the employment of the taxpayer.

(ii) A termination of employment of a qualified employee who, before the close of the period referred to in subparagraph (A) of paragraph (1), becomes disabled and unable to perform the services of that employment, unless that disability is removed before the close of that period and the taxpayer fails to offer reemployment to that employee.

(iii) A termination of employment of a qualified employee, if it is determined that the termination was due to the misconduct (as defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of the California Code of Regulations) of that employee.

(iv) A termination of employment of a qualified employee due to a substantial reduction in the trade or business operations of the taxpayer.

(v) A termination of employment of a qualified employee, if that employee is replaced by other qualified employees so as to create a net increase in both the number of employees and the hours of employment.

(B) Subparagraph (B) of paragraph (1) shall not apply to any of the following:

(i) A failure to continue the seasonal employment of a qualified employee who voluntarily fails to return to the seasonal employment of the taxpayer.

(ii) A failure to continue the seasonal employment of a qualified employee who, before the close of the period referred to in subparagraph (B) of paragraph (1), becomes disabled and unable to perform the services of that seasonal employment, unless that disability is removed before the close of that period and the taxpayer fails to offer seasonal employment to that qualified employee.

(iii) A failure to continue the seasonal employment of a qualified employee, if it is determined that the failure to continue the seasonal employment was due to the misconduct (as defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of the California Code of Regulations) of that qualified employee.

(iv) A failure to continue seasonal employment of a qualified employee due to a substantial reduction in the regular seasonal trade or business operations of the taxpayer.

(v) A failure to continue the seasonal employment of a qualified employee, if that qualified employee is replaced by other qualified employees so as to create a net increase in both the number of seasonal employees and the hours of seasonal employment.

(C) For purposes of paragraph (1), the employment relationship between the taxpayer and a qualified employee shall not be treated as terminated by either of the following:

(i) By a transaction to which Section 381(a) of the Internal Revenue Code applies, if the qualified employee continues to be employed by the acquiring corporation.

(ii) By reason of a mere change in the form of conducting the trade or business of the taxpayer, if the qualified employee continues to be employed in that trade or business and the taxpayer retains a substantial interest in that trade or business.

(3) Any increase in tax under paragraph (1) shall not be treated as tax imposed by this part for purposes of determining the amount of any credit allowable under this part.

(f) Rules similar to the rules provided in Section 46(e) and (h) of the Internal Revenue Code shall apply to both of the following:

(1) An organization to which Section 593 of the Internal Revenue Code applies.

(2) A regulated investment company or a real estate investment trust subject to taxation under this part.

(g) For purposes of this section, "enterprise zone" means an area designated as an enterprise zone pursuant to Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code.

(h) The credit allowable under this section shall be reduced by the credit allowed under Sections 23623.5, 23625, and 23646 claimed for the same employee. The credit shall also be reduced by the federal credit allowed under Section 51 of the Internal Revenue Code.

In addition, any deduction otherwise allowed under this part for the wages or salaries paid or incurred by the taxpayer upon which the credit is based shall be reduced by the amount of the credit, prior to any reduction required by subdivision (i) or (j).

(i) In the case where the credit otherwise allowed under this section exceeds the "tax" for the taxable year, that portion of the credit that exceeds the "tax" may be carried over and added to the credit, if any, in succeeding taxable years, until the credit is exhausted. The credit shall be applied first to the earliest taxable years possible.

(j)(1) The amount of the credit otherwise allowed under this section and Section 23612.2, including any credit carryover from prior years, that may reduce the "tax" for the taxable year shall not exceed the amount of tax which would be imposed on the taxpayer's business income attributable to the enterprise zone determined as if that attributable income represented all of the income of the taxpayer subject to tax under this part.

(2) Attributable income shall be that portion of the taxpayer's California source business income that is apportioned to the enterprise zone. For that purpose, the taxpayer's business attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101). That business income shall be further apportioned to the enterprise zone in accordance with Article 2 (commencing with Section 25120) of Chapter 17, modified for purposes of this section in accordance with paragraph (3).

(3) Business income shall be apportioned to the enterprise zone by multiplying the total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two. For purposes of this paragraph:

(A) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the enterprise zone during the income year, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the income year.

(B) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the enterprise zone during the income year for compensation, and the denominator of which is the total compensation paid by the taxpayer in this state during the income year.

(4) The portion of any credit remaining, if any, after application of this subdivision, shall be carried over to succeeding taxable years, as if it were an amount exceeding the "tax" for the taxable year, as provided in subdivision (i).

(k) The changes made to this section by the act adding this subdivision [FN2] shall apply to taxable years on or after January 1, 1997.

Schedule 2

Section 349(b) of the California Election Code

**§ 349. Residence**

(a) "Residence" for voting purposes means a person's domicile.

(b) The domicile of a person is that place in which his or her habitation is fixed, wherein the person has the intention of remaining, and to which, whenever he or she is absent, the person has the intention of returning. At a given time, a person may have only one domicile.

(c) The residence of a person is that place in which the person's habitation is fixed for some period of time, but wherein he or she does not have the intention of remaining. At a given time, a person may have more than one residence.