



**Sacramento  
Housing &  
Redevelopment  
Agency**

**REPORT TO COUNCIL AND REDEVELOPMENT  
AGENCY**

**City of Sacramento**  
915 I Street, Sacramento, CA 95814-2671  
[www.CityofSacramento.org](http://www.CityofSacramento.org)

Consent  
**March 10, 2009**

**Honorable Mayor and Members of the City Council**  
**Honorable Chair and Members of the Redevelopment Agency Board**

**Title: Sacramento Enterprise Zone Application for Designation**

**Location/Council District:** Council Districts 1, 2, 3, 4, 5, 6, and 8

**Recommendation:** 1) Adopt a **City Resolution** authorizing its agent, the Sacramento Housing and Redevelopment Agency (Agency), to: a) submit an application to the State of California Department of Housing and Community Development (HCD) for designation of a new consolidated Sacramento Enterprise Zone; b) execute a Memorandum of Understanding (MOU) with the State HCD and other documents necessary for the implementation of the enterprise zone; c) execute a Memorandum of Agreement (MOA) with the Sacramento Employment and Training Agency (SETA) for the transfer of the voucher application process; d) execute a reimbursement agreement with the City of Rancho Cordova for their share of the cost of the application; and e) increase the voucher application fee from \$30 to \$75 per voucher; and 2) adopt a **Redevelopment Agency Resolution** authorizing the Executive Director or her designee to: a) submit an application to the State of California Department of Housing and Community Development (HCD) for designation of a new consolidated Sacramento Enterprise Zone; b) execute a Memorandum of Understanding and other documents necessary for the implementation of the Enterprise Zone Program.

**Contact:** Lisa Bates, Deputy Executive Director, 440-1319, Gregory H. Wessel, Assistant Director, Housing and Community Development, 440-1346

**Presenter:** N/A

**Department:** Sacramento Housing and Redevelopment Agency

**Description/Analysis**

**Issue:** The Florin Perkins Enterprise Zone and the Sacramento Army Depot Enterprise Zone are two of four state enterprise zones expiring in 2009. Staff recommends applying to HCD for a new enterprise zone designation. The proposed new zone would expand boundaries in the City of Sacramento (City) and the County of Sacramento (County), including adding territory in the City of Rancho Cordova (Rancho Cordova). The City of Rancho Cordova has committed to share the cost of the application by reimbursing the Agency. If approved, the new zone would also incorporate the recently designated Northern Sacramento Enterprise Zone creating a single consolidated zone. The proposed new zone boundaries are shown in Exhibit A.

Currently the Agency administers three enterprise zones on behalf of the City and County. These zones help the jurisdictions attract businesses by lowering their tax burden. In the last five years, over 400 employers took advantage of the program to hire 4,500 employees and generate private-sector investment and growth.

The core of the application is an economic development plan to provide quality employment opportunities for targeted individuals, increase per capita income, reduce unemployment, and encourage economic investment in distressed commercial and industrial areas.

In addition, with the application comes a unique opportunity to modify the boundaries and realign the program administration to include transferring the voucher application process to the Sacramento Employment and Training Agency (SETA) and raising the voucher application fee from \$30 to \$75 per application. Staff recommends expanding the boundaries as shown in Exhibit A and administering the program with partners as shown in Exhibit B.

**Policy Considerations:** The proposed action is consistent with the City's Economic Development Strategy and the General Plan which call for strengthening and diversifying the City's economy. In addition, this action will promote strategic development of vacant, underutilized, and infill land, especially along transportation and commercial corridors. It will create and maintain a broad range of jobs that are accessible to all residents. Finally, this action is consistent because it contains a strong workforce development component, focuses investment and revitalization in distressed areas, and provides incentives to draw clean energy and green technology industries to Sacramento.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** This action is in furtherance of the creation of a government funding mechanism, which does not involve any commitment to any specific project that may result in a significant impact on the environment; and therefore, pursuant to CEQA Guidelines Section 15378 (b)(4) does not constitute a project. In any

event, an Initial Study will be prepared as part of the conditional designation application process. The proposed Sacramento Enterprise Zone, the boundaries affiliated with this action, and any action taken pursuant to adoption of the Sacramento Enterprise Zone will be reviewed to ensure compliance with CEQA.

**Sustainability Considerations:** The application for designation for a new enterprise zone is consistent with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan for sustainability. If approved, the contents in this report will advance the following goals, policies, and targets as follows: the application is consistent with the Sustainability Master Plan Triple Bottom Line for economic stability. It addresses the potential to increase local and regional job production, thus keeping money in the Sacramento regional economy; the application has a focus to encourage and recruit green technology companies to locate in the City.

**Other:** National Environmental Policy Act (NEPA) does not apply.

**Committee/Commission Action:** At its meeting of February 18, 2009, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES: Burruss, Chan, Dean, Fowler, Gore, Morgan, Otto, Shah, Stivers

NOES: None

ABSENT: None

**Rationale for Recommendation:** The application to address the expiration of two enterprise zones in the City offers a unique opportunity to modify the boundaries and realign the program administration which will allow for closer inter-jurisdictional and inter-agency coordination.

**Financial Considerations:** This report requests no new funding for Program operations. Funding for Program administration and marketing is included in the previously approved City and Agency budgets. The proposed fee increase from \$30 to \$75 per voucher application, if adopted, will increase Program revenue. Of this fee, \$10 per application is required to be remitted monthly to the State. The balance will be used to offset SETA program administration cost.

**M/WBE Considerations:** Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully Submitted by:   
LA SHELLE DOZIER  
Executive Director

Recommendation Approved:

  
for RAY KERRIDGE  
City Manager

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## BACKGROUND

The California Legislature created the Enterprise Zone (EZ) Program in 1986 to stimulate economic growth in the most economically distressed areas of the state. California currently has 42 enterprise zones. The Program is a long-term, 15 years, partnership between local governments and private companies to generate new private-sector investment and growth.

To assist this partnership, the State of California (State) established a geographical area in which companies are eligible for exclusive state incentives and programs. These include:

- Tax credits for sales and use taxes paid on qualified machinery purchases,
- Tax credits for hiring qualified employees with barriers to employment,
- Interest deductions for lenders on loans to firms within the EZ areas,
- A 15-year net operating loss carry-forward,
- Accelerated expense deductions, and
- Priority for various state programs such as contracts.

Sacramento County currently has three enterprise zones that cross City and County of Sacramento jurisdictional boundaries. They are the Sacramento Army Depot Enterprise Zone, Florin Perkins Enterprise Zone, and Northern Sacramento Enterprise Zone. Two of these zones, Army Depot and Florin Perkins are among four zones statewide expiring in 2009.

Enterprise zones are designated by the State in a highly competitive process as zones expire. Four zones are expiring in 2009, thus, the State released a Request for Proposals (RFP) for four slots. The application is due March 27, 2009. The State has entertained 25 serious inquiries regarding application for the four slots.

The Agency has been successful with enterprise zone designations over the past 23 years. It has supervised the designation of the three enterprise zones and several time extensions and territory expansions as allowed by state law. Currently, the Agency has received tentative approval from the State to submit an application for a new consolidated county-wide enterprise zone made possible by changes in the authorizing legislation. If successfully designated, the new Sacramento Enterprise Zone would benefit local economic development and provide an opportunity for another jurisdiction elsewhere to benefit from the state program, too.

The Agency has managed the enterprise zones for the City and County since 1986. Agency staff plan and administer the zone and review and approve hiring tax credit vouchers. State tax credits and incentives available through the Enterprise Zone Program a) encourage business to hire individuals who have barriers to employment; b) provide tax incentives to stimulate private sector market forces to revive the local economy; and c) are a major economic development tool used by the economic developers and the Sacramento Area Commerce and Trade Organization (SACTO) to maintain and increase Sacramento's global competitiveness.

The proposed Sacramento Enterprise Zone would merge the expiring Florin Perkins and Sacramento Army Depot Enterprise Zones and the newer Northern Sacramento Enterprise Zone into one consolidated zone. It would add new territory, too. The majority of the new area is in the County and Rancho Cordova, and includes a new jurisdictional partner, the City of Rancho Cordova. The City of Rancho Cordova has committed to share the cost of the application by reimbursing SHRA. The proposed Sacramento Enterprise Zone is shown on Exhibit 1.

The proposed new zone consists mostly of industrial or commercial areas with high potential for employment and growth, or that require additional incentives for attracting employers. A new zone designation will be for 15 years and allows the Cities and County to continue to attract and retain businesses in these areas. In addition, businesses currently in the enterprise zone will continue to be potentially eligible to receive state tax incentives when creating jobs and investing in the area.

The Agency partners with the Economic Development Departments of the City and County as well as the Sacramento Employment and Training Agency (SETA). The City and County partners market the program and SETA assists with employment issues. The Agency also manages enterprise zone work on specialized issues such as the major business attractions and hiring underway by Siemens Transportation Systems, Inc., a light rail car manufacturer.

Companies apply to the Agency (enterprise zone manager) for the hiring tax credit vouchers and pay a \$30 one-time, non-refundable fee per voucher application. The Agency retains \$20 of the fee to help cover program costs and remits the balance of \$10 per application to the State. The current voucher application volume is about 1,200 annually. A hiring tax credit is potentially worth \$37,000 to a company over a five-year period. Companies that are eligible to receive tax credits other than the hiring tax credit do so through their state income tax returns and the Agency is not involved.

In addition to proposing a geographically consolidated enterprise zone, the Agency proposes moving the voucher application process to SETA as shown in Exhibit 2. The Enterprise Zone Program has changed in past years and is more aligned with the missions of SETA and Economic Development Departments while the Agency is focused on housing, redevelopment, and infrastructure and community development.

The Agency is proposing to transfer the voucher application and hiring tax credit element of the Program from the Agency to SETA. SETA staff works with employers and individuals looking for employment. They also work with rules, regulations and guidelines related to workforce issues. The enterprise zone voucher application process involves similar guidelines and networks and compliments SETA's mission. This model is used in other jurisdictions and HCD is aware of this proposed change and is supportive. It is outlined in the application.

The Agency also proposes increasing the voucher application fee from \$30 to \$75 per application. The fee has not increased since it was initiated in 2004. During that time the volume of voucher applications has risen from 64 in 2004 to over 1,200 in 2008. The proposed fee increase is consistent with the fees charged by other jurisdictions

around the state. A recent survey conducted by the California Association of Enterprise Zones (CAEZ) found fees range from "free" in one case to \$102 in another. Additionally, several jurisdictions offer expedited service for an additional cost. The additional revenue from the fee increase would help offset the higher costs associated with the increased voucher volume. If transfer of this portion of the program is approved, then the fees collected, less the state portion would go to SETA to offset vouchering costs.

The Enterprise Zone Program incentives were reduced in the September 2008 State Budget signed by Governor Schwarzenegger. The maximum business tax credit allowable for the 2008 and 2009 taxable years is 50 percent of the net tax prior to the application of any credits if the net business income is \$500,000 or more. The Net Operation Loss (NOL) is also suspended for them for those years, too. The incentives for businesses with less than \$500,000 net business income remain as before.

The Agency is also the manager for the Local Agency Military Base Recovery Area (LAMBRA) which has similar incentives for the former Mather and McClellan military bases. There are seven active LAMBRA's of the eight approved by the State. The Mather/McClellan LAMBRA was designated in 2000 and was to expire in 2008; however, the Agency obtained a conditional designation for it in 2008. The conditional designation is in effect until the State determines a new expiration date pending its review of the intent of the authorizing legislation. LAMBRA and enterprise zones can offer incentives under the conditional designation status.

## **RESOLUTION NO. 2009 -**

**Adopted by the Sacramento City Council**

on date of

### **AUTHORIZING THE APPLICATION FOR DESIGNATION FOR THE SACRAMENTO ENTERPRISE ZONE**

#### **BACKGROUND**

- A. The Florin Perkins Enterprise Zone expires in April 2009;
- B. The Sacramento Army Depot Enterprise Zone expires in October 2009;
- C. The State of California Department of Housing and Community Development has released a "Request for Proposals" for new designations in the California Enterprise Zone Program to encourage and facilitate business investment and job development in distressed areas of the State;
- D. The City of Sacramento ("City") through its agent, the Sacramento Housing and Redevelopment Agency ("Agency"), wishes to submit an application to the State of California Department of Housing and Community Development for an enterprise zone designation which provides state tax incentives to business to enhance economic investment and job creation in the application area; and
- E. The City, through its agent, the Agency, satisfies the criteria that an area must meet in order to be eligible for California Enterprise Zone status;

#### **BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. The City finds that the application area is a depressed area and that designation of the area as an enterprise zone is necessary in order to attract private sector investment to the application area;
- Section 2. The City, through its agent the Agency, authorizes the application;
- Section 3. The City, through its agent the Agency, authorized and supports job development, job creation, and economic development;
- Section 4. The City, through its agent the Agency, authorizes that staffing shall be made available to maintain record-keeping, monthly updates on zone activities, and to discuss these activities with program auditors;

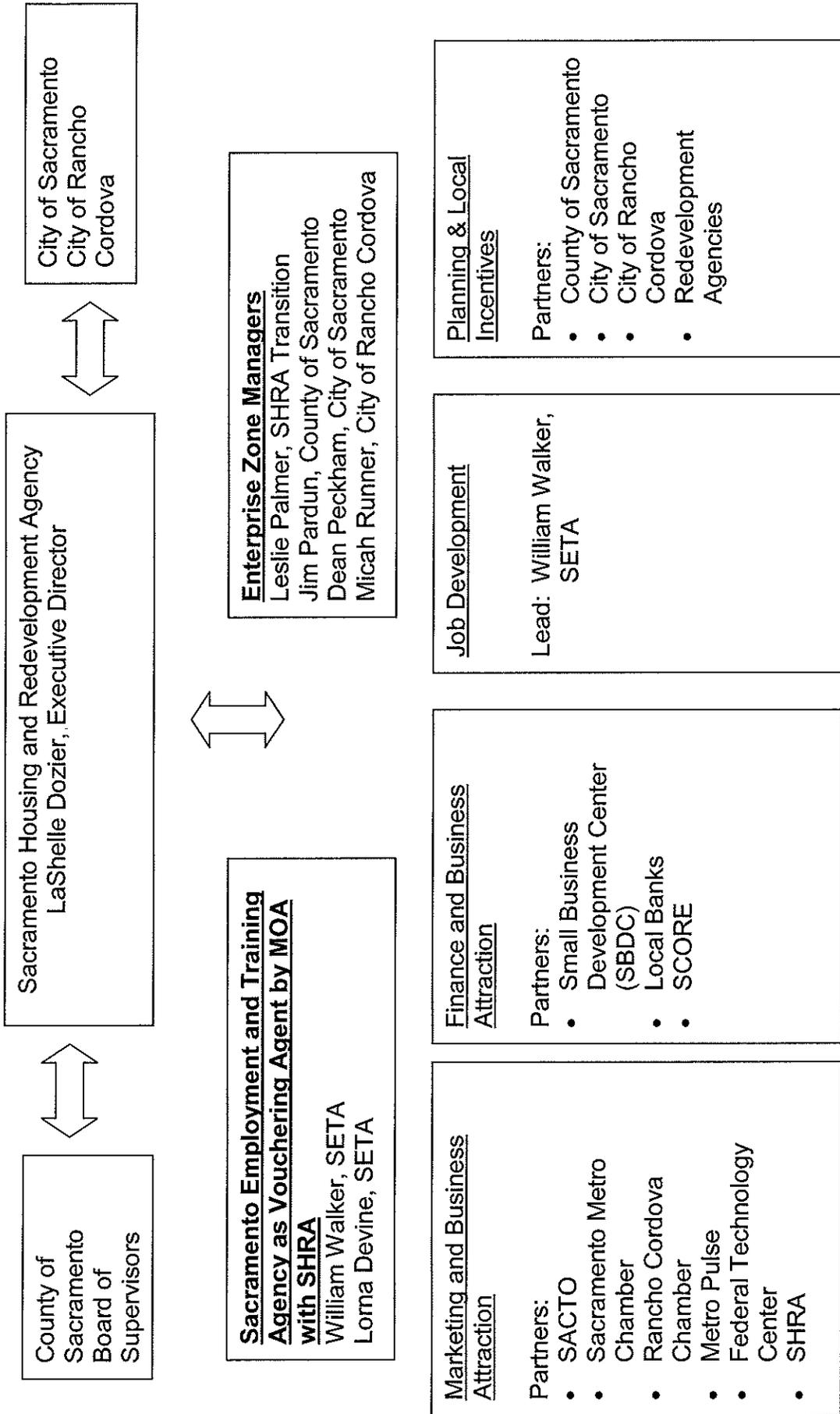
- Section 5. The City, through its agent the Agency, shall develop a self-evaluation process to measure its progress in meeting its goals and objectives and inclusion in the Memorandum of Understanding (MOU) prior to final designation;
- Section 6. The City, through its agent the Agency, agrees to complete all actions stated within the application that apply to its jurisdiction should the proposed enterprise zone be awarded designation; and
- Section 7. The Executive Director, or designee, of the Agency is authorized to execute the application, the MOU with the State, reimbursement agreements and other documents necessary for the implementation of the enterprise zone.
- Section 8. The Executive Director, or designee, of the Agency is authorized to execute a Memorandum of Agreement (MOA) with the Sacramento Employment and Training Agency (SETA) to transfer the enterprise zone voucher application function to SETA.
- Section 9. The Executive Director, or designee, of the Agency is authorized to increase the voucher application fee from \$30 to \$75 per application;
- Section 10. The Executive Director, or designee, of the Agency is authorized to execute a reimbursement agreement with the City of Rancho Cordova for their share of the costs of the application.
- Section 11. This resolution shall take effect from and after its passage, approval and adoption.

**Table of Contents:**

- Exhibit A: Proposed Sacramento Enterprise Zone
- Exhibit B: Proposed Program Management



**PROGRAM MANAGEMENT  
SACRAMENTO ENTERPRISE ZONE ADMINISTRATION**  
County of Sacramento, City of Sacramento, City of Rancho Cordova



County of Sacramento  
Board of Supervisors

Sacramento Housing and Redevelopment Agency  
LaShelle Dozier, Executive Director

City of Sacramento  
City of Rancho Cordova

**Sacramento Employment and Training Agency as Vouchering Agent by MOA with SHRA**  
William Walker, SETA  
Lorna Devine, SETA

**Enterprise Zone Managers**  
Leslie Palmer, SHRA Transition  
Jim Pardun, County of Sacramento  
Dean Peckham, City of Sacramento  
Micah Runner, City of Rancho Cordova

Marketing and Business Attraction  
Partners:  

- SACTO
- Sacramento Metro Chamber
- Rancho Cordova Chamber
- Metro Pulse
- Federal Technology Center
- SHRA

Finance and Business Attraction  
Partners:  

- Small Business Development Center (SBDC)
- Local Banks
- SCORE

Job Development  
Lead: William Walker, SETA

Planning & Local Incentives  
Partners:  

- County of Sacramento
- City of Sacramento
- City of Rancho Cordova
- Redevelopment Agencies

## **RESOLUTION NO. 2009 -**

**Adopted by the Redevelopment Agency of the City of Sacramento**

on date of

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- E. The Redevelopment Agency of the City Sacramento, through its agent, the Agency, satisfies the criteria that an area must meet in order to be eligible for California Enterprise Zone status;

#### **BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REDEVELOPMENT AGENCY RESOLVES AS FOLLOWS:**

- Section 1. The Redevelopment Agency of the City of Sacramento finds that the application area is a depressed area and that designation of the area as an enterprise zone is necessary in order to attract private sector investment to the application area;
- Section 2. The Redevelopment Agency of the City of Sacramento, through its agent the Agency, authorizes the application;
- Section 3. The Redevelopment Agency of the City of Sacramento, through its agent the Agency, authorizes and supports job development, job creation, and economic development;

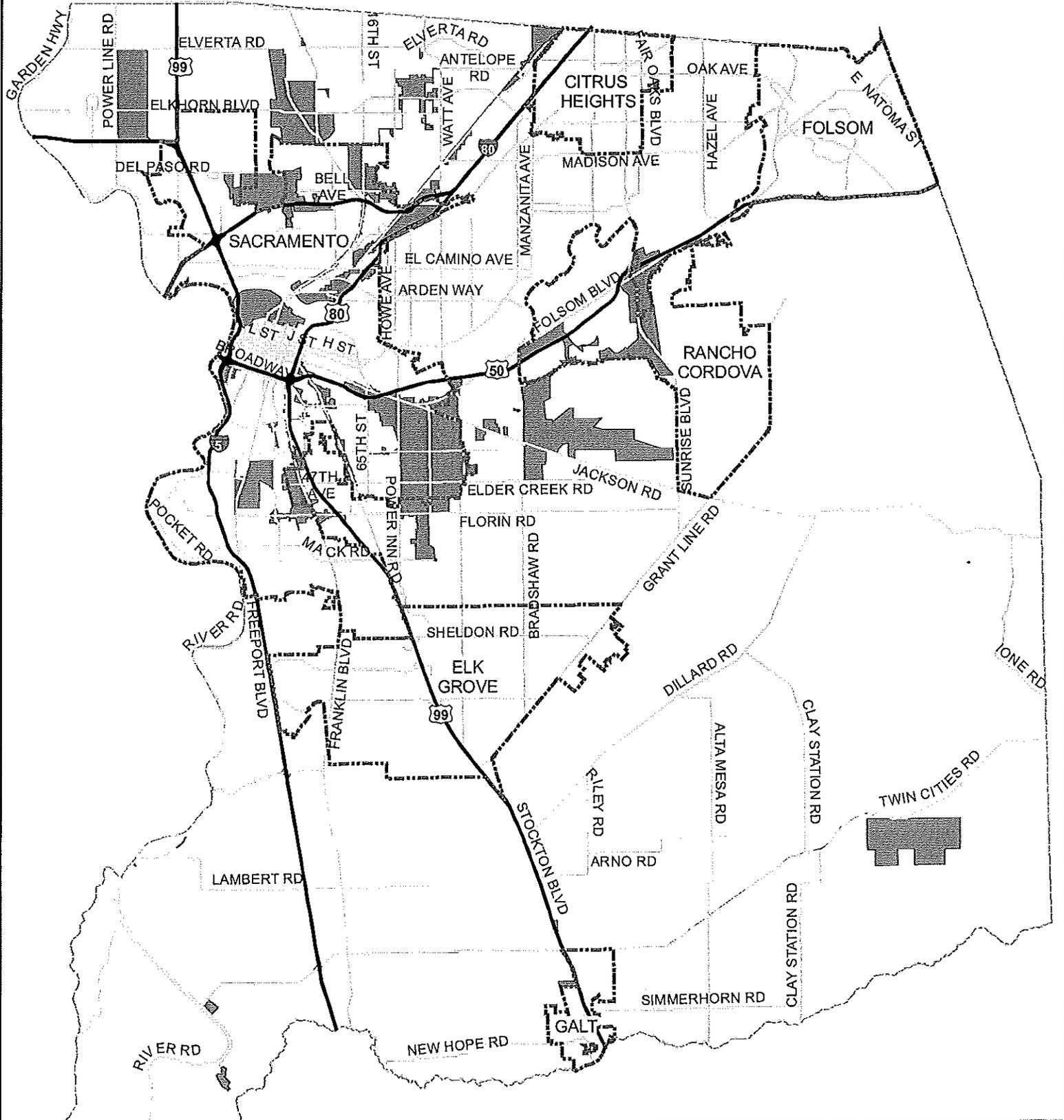
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# Proposed Sacramento Enterprise Zone



-  Proposed Enterprise Zone
-  Incorporated City

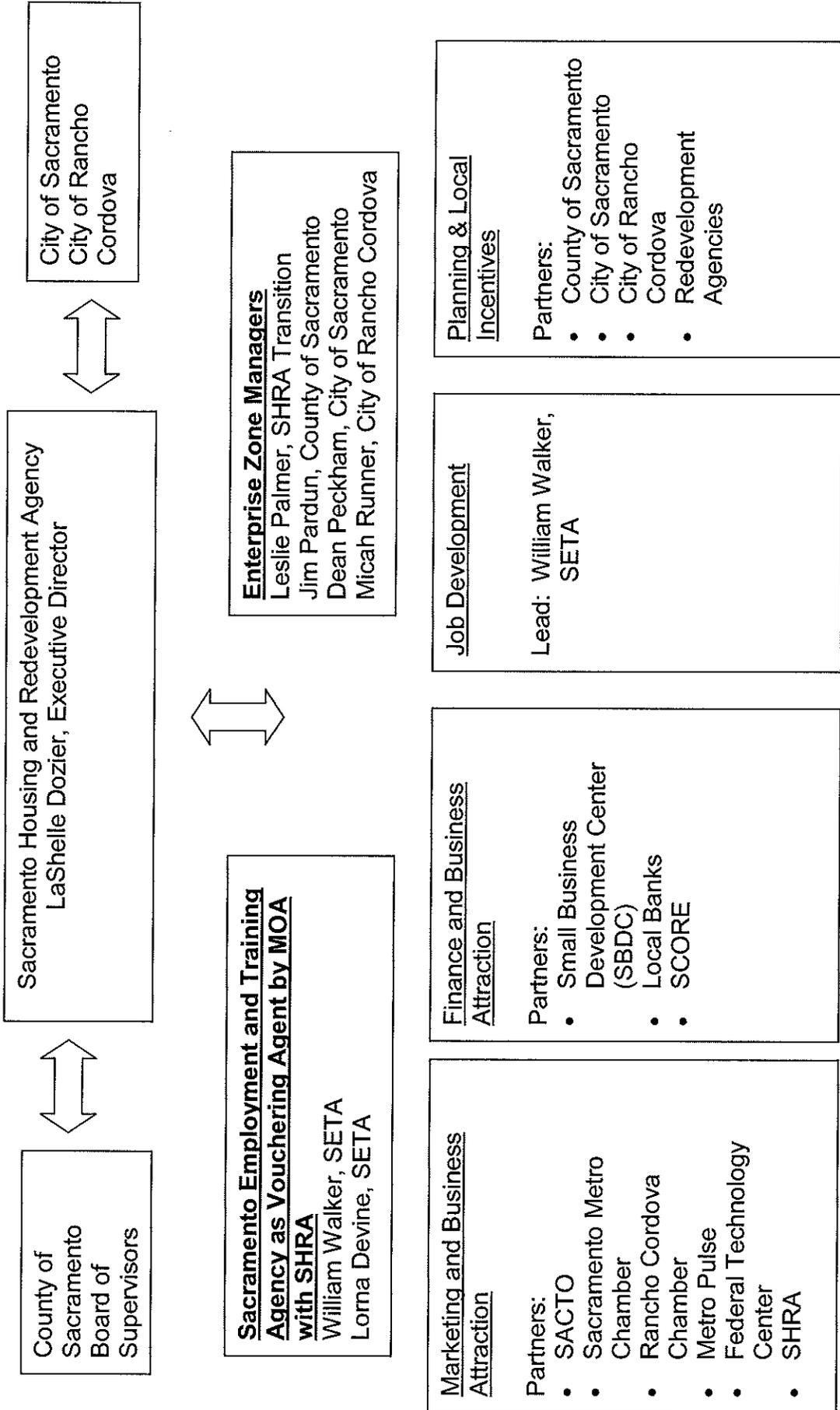
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SHRA GIS  
February 11, 2009

**PROGRAM MANAGEMENT  
SACRAMENTO ENTERPRISE ZONE ADMINISTRATION**

County of Sacramento, City of Sacramento, City of Rancho Cordova



County of Sacramento Board of Supervisors

Sacramento Housing and Redevelopment Agency  
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