

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA # *B-3

Urgent Routine

AGENDA DATE March 19, 2013

CEO Concurs with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT:

Approval to Adopt a Resolution In Support and Oppose Any Proposal that Would Threaten the Existence of Enterprise Zones

STAFF RECOMMENDATIONS:

Approval to Adopt a Resolution In Support and Oppose Any Proposal that Would Threaten the Existence of Enterprise Zones

FISCAL IMPACT:

The Stanislaus Enterprise Zone (Zone 40) is the result of considerable time, attention and resources provided by public and private sectors. The cities of Ceres, Modesto, Turlock and the County of Stanislaus worked directly with private business partners and the Stanislaus Economic Development and Workforce Alliance to develop all pre-application and application documents and analysis. The original effort included an environment impact report (per a State requirement) which was funded jointly by public and private sectors and included a Stanislaus County Economic Development Bank grant for \$41,000. There are no fiscal impacts associated with this item.

BOARD ACTION AS FOLLOWS:

No. 2013-115

On motion of Supervisor De Martini, Seconded by Supervisor Withrow

and approved by the following vote,

Ayes: Supervisors: O'Brien, Withrow, De Martini and Chairman Chiesa

Noes: Supervisors: None

Excused or Absent: Supervisors: Monteith

Abstaining: Supervisor: None

1) X Approved as recommended

2) _____ Denied

3) _____ Approved as amended

4) _____ Other:

MOTION:

This Item was removed from the consent calendar for discussion and consideration.



ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

DISCUSSION:

Background

Enterprise Zones were established in 1984 to stimulate business investment in depressed areas of the State and to create job opportunities for Californians. Enterprise Zones are created through a competitive process and are audited no less than every 5 years by the Department of Housing and Community Development (HCD). The State has forty-two (42) Enterprise Zones established for 15-year periods.

The goal of the Enterprise Zone is to provide incentives for businesses to open and relocate to those areas. For example, Enterprise Zone programs provide various tax credits to businesses. Once a zone is approved and businesses open, it is expected that these businesses will construct facilities, purchase equipment, hire workers and make other investments in order to further stimulate economic development. According to the California Association of Enterprise Zones, while California experienced unprecedented unemployment in 2010, Enterprise Zones created or retained more than 118,000 jobs in 10,000 companies.

Stanislaus Enterprise Zone 40

Through cooperative efforts involving the County, partner cities, and local support from the private business sector, Zone 40's core footprint has been expanded to include a significant number of industrial/commercial sites throughout Stanislaus County. After the completion of seven successful expansions previously approved by the Board of Supervisors, Zone 40's footprint encompasses a total of 76,482.55 acres.

Stanislaus Enterprise Zone 40 Achievements

In an era of severe economic challenges which has spurred high rates of unemployment throughout much of the state, the Enterprise Zone Program continues to be a beacon of hope. To date, the Stanislaus Enterprise Zone Program has issued a total of 23,763 eligible Hiring Tax Credit Voucher Certificates to 1,321 qualified businesses which in turn created 3,205 new jobs while retaining 20,562 local jobs. The average wage for all eligible vouchers issued is \$11.09, well above the state's minimum wage level. Systemically, The Enterprise Zone Program incentives have helped reduce the unemployment rate within 23 of the most impoverished census tracts in Stanislaus County by .9%. The success of the program is proof that Zone 40 is meeting and exceeding its legislative intent, "stimulating business and industrial growth" within Stanislaus County.

Proposed Enterprise Zone Reform

California's landmark Enterprise Zone Program was created to encourage economic expansion in some of the state's most distressed areas by helping underserved communities spur private investment, retain employees and create jobs. Since its inception, the Enterprise Zone Program has helped millions of Californians with barriers to employment reenter the workforce.

In January, HCD released sweeping regulatory changes to the program that aim to impact the operation of the program in a negative manner. The table below summarizes both the proposed changes and responses submitted to HCD by Stanislaus Enterprise Zone 40 Administrator:

Summary of Proposed Reform	Response
Initiates new audit requirements. If an Enterprise Zone receives a failing score, it can be de-designated.	New audit requirements are in direct violation of the Enterprise Zone legislative code of the conditions set forth in the audit agreement to keep from being de-designated.
Provides for amendments to the Memorandum of Understanding between the Department of Housing and Community Development and the Enterprise Zone with reference to the impact of the Zone's total score at the time of the award.	California Code specifically states that the Memorandum of Understanding may be amended pursuant to the agreement of the Geographically Targeted Economic Development Area and the Department of Housing and Community Development with no reference to the impact of the Zone's total score at the time of the award.
Requires the Enterprise Zone to provide acceptable documentation to validate census tract data and targeted employment areas.	Eliminate some of the forms of acceptable documentation as the requirements are in direct violation of the Fair Employment and Housing Act. Consider accepting form I-9/or W-4 as an acceptable means to quantify targeted employment areas residency as these two documents are directly tied to the employee hiring process.
Requires the Enterprise Zone to demonstrate that the employee qualifies as a laid-off or dislocated worker by submitting documentation produced by someone other the employee, employer or third party application preparer.	Require all income verification be done through the use of the Employment Development Department (EDD) Wage History Report , which will eliminate forms of self- certification and promotes documentable third-party verification of employee eligibility.

Reform Impacts

The changes, if enacted as proposed by HCD, will dramatically impact local agencies that administer the program and increase costs to businesses struggling to expand or simply keep their doors open. Staff recommends the Board of Supervisor approve to adopt a resolution in support of Enterprise Zones and to oppose any proposal that would threaten their existence.

Approval to Adopt a Resolution In Support and Oppose Any Proposal that Would Threaten the Existence of Enterprise Zones

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POLICY ISSUES:

The Board of Supervisors should consider if the approval of the resolution to support and protect Enterprise Zones is consistent with the priorities of A Strong Local Economy, A Strong Local Agricultural Economy/Heritage and Effective Partnerships.

STAFFING IMPACTS:

The Stanislaus Economic Development and Workforce Alliance has been identified as the Enterprise Zone Administrator. The Chief Executive Office, Office of County Counsel and Departments of Planning and Community Development and Public Works provide technical assistance as needed.

CONTACT PERSONS:

Reynaldo Campanur, Enterprise Zone 40 Administrator, Telephone: 209-567-4940

Keith Boggs, Assistant Executive Officer, Telephone: 209-652-1514

Mark Loeser Associate Management Consultant, Telephone: 209-652-8909

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
STATE OF CALIFORNIA

Date: March 19, 2013

2013-115

On motion of Supervisor De Martini Seconded by Supervisor Withrow
and approved by the following vote,

Ayes: Supervisors: O'Brien, Withrow, De Martini and Chairman Chiesa

Noes: Supervisors: None

Excused or Absent: Supervisors: Monteith

Abstaining: Supervisor: None

THE FOLLOWING RESOLUTION WAS ADOPTED:

Item # *B-3

Approval to Adopt a Resolution In Support and Oppose Any Proposal that Would Threaten the Existence of Enterprise Zones

WHEREAS, Stanislaus County Enterprise Zone 40 in an era of severe economic challenges which has spurred high rates of unemployment throughout much of the state, the Enterprise Zone Program continues to be a beacon of hope; and

WHEREAS, Stanislaus Enterprise Zone 40 has issued a total of 23,763 eligible Hiring Tax Credit Voucher Certificates to 1,321 qualified businesses which in turn created 3,205 new jobs while retaining 20,562 local jobs; and

WHEREAS, The Enterprise Zone Program incentives have helped reduce the unemployment rate within 23 of the most impoverished census tracts in Stanislaus County; and

WHEREAS, California's Enterprise Zone program was established in 1984 by the Legislature to stimulate business investment in depressed areas of the state and create job opportunities for Californians; and

WHEREAS, according to the findings and declarations of the Enterprise Zone Act, it is in the economic interest of the state to have one strong, combined, and business-friendly incentive program to help attract business and industry to the state, to help retain and expand existing state business and industry, and to create increased job opportunities for all Californians; and

WHEREAS, Enterprise Zones create and retain jobs. According to the California Association of Enterprise Zones, in 2010, more than 118,000 jobs were created while California experienced unprecedented unemployment; and

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WHEREAS, Enterprise Zones attract businesses to California and retain them. Once a zone is approved, businesses construct facilities, purchase equipment, hire workers and make other investments; and

WHEREAS, Enterprise Zones provide a geographically targeted economic development tool designed to improve poor and blighted communities; and

THEREFORE, BE IT RESOLVED that Stanislaus County formally supports the positive benefits of the Enterprise Zone program in local communities and on a statewide economic level.

THEREFORE, BE IT FURTHER RESOLVED, that Stanislaus County authorizes its Board and staff to communicate its support for Enterprise Zones and opposition to any proposal that would threaten their existence.

ATTEST: **CHRISTINE FERRARO TALLMAN, Clerk**
Stanislaus County Board of Supervisors,
State of California

A handwritten signature in cursive script, reading "Christine Ferraro", is written over a horizontal line.

File No.

ZONE 40

STANISLAUS ENTERPRISE ZONE

STANISLAUS ENTERPRISE ZONE 40

A Job Retention and Expansion Success Story

Stanislaus County
Board of Supervisors
March 19, 2013

2009 – 2012

Category	2009	2010	2011	2012
New Jobs Created	619	686	645	844
Jobs Retained	2976	4076	3641	3625
Avg. Hourly Wage	\$10.68 hr.	\$12.64 hr.	\$10.87 hr.	\$11.60 hr.

2,794 NEW JOBS

14,318 RETAINED (SAVED) JOBS

Background

- Section 7070, Division 7-Title 1, Government Code – California Legislature
- Stanislaus Enterprise Zone (EZ) – Nov. 16, 2005
- Foot print at inception – 67,508 acres
 - Ceres, Modesto, Turlock, & Stanislaus Unincorporated
- 15% Expansion Capacity – 10, 126 acres
- Current Zone foot print – 76, 219 acres
 - Includes 9 Municipalities & Stanislaus Unincorporated
- Remaining expansion acreage – 1,153

Background

- EZ Program has several complementary purposes:
 - Stimulate business and industrial growth in depressed areas of the State;
 - Encourage businesses to hire individuals in California with certain barriers to employment.

Areas of Reform

- Proposal to eliminate EZ program (2011)
 - Housing and Community Development (HCD) - Tasked with Program Modification to address perceived program deficiencies
- January 2013 – HCD releases Proposed Rulemaking for the EZ program
 - Elimination of Retroactive Vouchering – Requiring voucher applications to be made within one year from date of hire.
 - Streamline Vouchering Rules – Allow a broader array of support to voucher employees who are veterans or recipients of public assistance
 - Collection of data – HCD will collect data on zone administration
 - Create Audit Procedures – Article 15

Process /Impact

- EZ Reform Process
 - Legislature's Role
 - Governor's office & HCD

Increasing Taxes by Regulation Exceeds the Governor's Office & HCD's Authority

ZONE 40

STANISLAUS ENTERPRISE ZONE

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