

Agenda Report

DATE: June 24, 2002

TO: CITY COUNCIL

FROM: CYNTHIA J. KURTZ, CITY MANAGER

SUBJECT: SUPPORT FOR ASSEMBLY BILL 1846 (CORREA) TO EXTEND THE APPLICABILITY TIME PERIOD FROM 15 YEARS TO 20 YEARS FOR ALL DESIGNATED ENTERPRISE ZONES

RECOMMENDATION:

It is recommended that City Council:

- 1) Take a position in support of Assembly Bill 1846 to extend the applicability time period from fifteen years to twenty years for all designated enterprise zones; and,
- 2) Authorize the Mayor to send letters to the appropriate authorities stating the City's position.

BILL SUMMARY:

AB 1846 is an act to amend Section 7073 of the Government Code, relating to enterprise zones. This bill would extend the applicability of the 20-year time period to all designated enterprise zones that meet the specified criteria. The five-year extension will afford Pasadena area enterprise zone businesses and their employees to utilize the tax credits up to April 2012.

The Enterprise Zone Act provides for the designation of enterprise zones by the Technology, Trade, and Commerce Agency, according to specified criteria, pursuant to which certain entities may receive regulatory, tax, and other incentives for private investment and employment. The act generally limits the period for which an area may be designated by that agency as an enterprise zone to 15 years, but permits the designation for 20 years, if designated prior to 1990 and specified criteria, as shown below, are met.

BACKGROUND:

On October 10, 1992, the Pasadena Enterprise Zone designation was acquired in partnership with the Los Angeles County Community Development Commission. The designation was for fifteen years and covered the majority of the Northwest area of the City. On September 13, 1999, the Pasadena City Council approved an expansion of the Pasadena Enterprise Zone boundaries, to include south Fair Oaks, Raymond and Arroyo Parkway, as well as portions of east Walnut, Foothill and Colorado Blvd. The current designation will expire in April 2007.

On August 20, 1998, AB 2798 (Machado) was approved by Governor Pete Wilson. The bill, in addition to other provisions, allowed an enterprise zone that was so designated prior to 1990 to retain that designation for 20 years, rather than 15 years, if that zone meets certain criteria:

1. The zone receives a superior or passing audit.
2. The local jurisdictions comprising the zone submit an updated economic development plan to the agency justifying the need for an additional five years by defining goals and objectives that still need to be achieved and indicating what actions are to be taken to achieve these goals and objectives.

This bill, AB 1846, would extend the applicability of the 20-year time period to all designated enterprise zones that meet the specified criteria.

On August 28, 1990, the Board of Directors of the City of Pasadena authorized the City to submit an application to the State of California Trade and Commerce Agency, on behalf of the County of Los Angeles and the City of Pasadena, requesting creation of Altadena/Pasadena Enterprise Zone to assist with the economic development of distressed areas of the County and City. This application was subsequently approved on April 10, 1992. In 1996, the County and City elected to independently administer their respective area of the Enterprise Zone; they must continue to apply jointly to the state for regulatory or legislative changes.

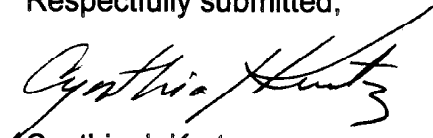
In October 2001 at the California Association of Enterprise Zones Annual Conference, the California Technology, Trade and Commerce Agency recognized the work of the Pasadena Enterprise Zone with three Zone Excellence Awards including Most Innovative Marketing Tool, Best Workforce Development, and Best Public Relations.

FISCAL IMPACT:

Approval of AB 1846 would allow the City to extend the enterprise zone designation for an additional five years from April 2007 to April 2012. The state tax credits do not present a financial loss to the City of Pasadena. The current local enterprise zone incentives, business license fee waivers and Permit Center fee waivers and reductions

would remain in effect for Northwest Area business and for businesses specializing in research and development in the expanded portion of the zone. It is difficult to determine a specific dollar amount based on potential fee waivers and reductions that will be given to projects due to rehabilitation of buildings or new development because they will fluctuate significantly from year to year. However, it is estimated that \$43,000 per year might represent an average annual lost revenue figure based on historical Permit Center fee waivers and reductions. The passage of this bill will present a potential lost revenue figure to the City of \$215,000 over the five years.

Respectfully submitted,



Cynthia J. Kurtz
City Manager

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Approved by:



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