

# Agenda Report

**DATE:** JANUARY 29, 2007

**TO:** CITY COUNCIL

**FROM:** CITY MANAGER

**SUBJECT:** EXPANSION OF THE CONDITIONALLY DESIGNATED ENTERPRISE ZONE AND AN AMENDMENT AND EXTENSION OF ORDINANCES 6588 AND 6883 (LOCAL DEVELOPMENT INCENTIVES IN THE ENTERPRISE ZONE) TO EXTEND THE ORDINANCES AND UPDATE THE ZONE BOUNDARIES

**RECOMMENDATION:**

It is requested that the City Council:

1. Acknowledge the Addendum to the Initial Study in Attachment No.1 and adopt the Negative Declaration; and
2. Approve the recommended commercial/manufacturing areas, as depicted in Attachment No.2, for expansion of the enterprise zone; and
3. Authorize staff to prepare all documents required for submittal to the State of California for consideration of expansion of the Pasadena Enterprise Zone; and
4. Adopt a resolution, evidencing the intention of the City Council to expand the current boundaries of the Pasadena Enterprise Zone by 20% (3.708 square miles);and
5. Direct the City Attorney to draft an ordinance within 90 days to amend and extend Ordinance number 6588 and 6883 (uncodified) to update the enterprise zone boundaries, fee language and extend the expiration date of the ordinances to coincide with the expiration of the new designated and expanded zone; and

**SUMMARY**

On September 11, 2006 the City Council approved a resolution authorizing staff to move forward with an application for a new Enterprise Zone to replace the existing zone that would expire in 2007. On November 3, 2006 the State Department of Housing and Community Development awarded a conditional Enterprise Zone designation to the City and in December sent a letter listing four

conditions the City must meet by January 31<sup>st</sup>. Two of those conditions require the submittal of further technical information, which staff has completed. The remaining conditions require City Council approval to amend the local incentives ordinances to match the boundaries and expiration of the new zone and to adopt the Negative Declaration. In addition to these two actions, staff is also recommending the expansion of the zone to include commercial/manufacturing areas that were previously disallowed under State law but are now permitted.

## **BACKGROUND:**

To stimulate business and industrial growth in Pasadena, the Enterprise Zone, a state incentive program, was first designated in April of 1992 with an expansion of the zone approved in 1999. The goals of the Enterprise Zone Program are business retention, expansion and job development. The state credits reduce the cost of hiring new employees, a business expense deduction, a net interest deduction on loans for lenders and the sales and use tax paid on equipment for these businesses. The state also offers an additional tax credit to individuals who work for an Enterprise Zone business and live in the Northwest area.

### Extension and Amendment of Fee Incentive Ordinances

On April 7, 2007 Ordinances 6588 and 6833 will expire. These ordinances apply the Enterprise Zone incentives to the boundaries from the original zone approved in 1992 and the expanded zone approved in 1999. The extension of these ordinances will coincide with the expiration date of the new zone which is 15 years from the final designation date and will include any extensions granted by the State beyond the standard 15 years. The proposed extension and amendment will also permit the expansion of the financial incentives to the Enterprise Zone Technology Development area (EZTDA) of the zone where research and development uses will be eligible for the incentives.

### Expansion of the Enterprise Zone

An expansion of the conditionally designated zone is recommended to capture businesses that were omitted from the conditional zone boundaries due to the rigid regulations under the State designation application. Those regulations have since changed and staff is recommending the proposed expansion to recapture those commercial areas that were removed. The State has recommended that the City move forward with the expansion at this time so that both the expansion and the conditionally approved zone can be finalized within a short time after the expiration of the old zone to prevent any loss of privileges to local businesses.

Assembly Bill 1550 (Arambula Bill) changed the regulations to permit non-contiguous areas within zones and to allow expansion of the conditionally designated zone by up to 20% if the initial boundaries do not exceed thirteen square miles. The current zone boundary is well under this requirement at 3.11 square miles. With the addition of the proposed expanded areas the zone boundaries would be increased by 0.43 square miles for a total of 3.44 square

miles. This is under the 20% limitation for the Pasadena enterprise zone which is 3.708 square miles.

Staff has identified several areas that will benefit from the expansion which enables the City to attract, retain and encourage business expansion which creates additional job opportunities for Northwest residents. The expanded areas include East Washington Boulevard to Allen Avenue, Foothill Boulevard from Madre to Rosemead, and Colorado Boulevard from Holliston to Pasadena Avenue. The proposed expansion areas are shown in gold on Attachment No. 2.

ENVIRONMENTAL

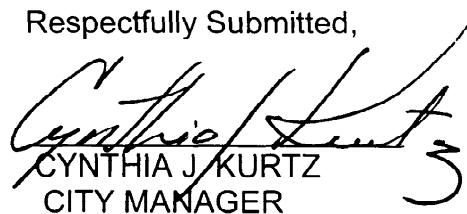
On July 17, 2006 an Initial Environmental Study was adopted for the Enterprise Zone application resulting in a Negative Declaration. The public review period for the Negative Declaration was from July 12 to July 31, 2006. An addendum to the Negative Declaration has been prepared pursuant to CEQA guidelines Section 15162(b) to reflect the changes in the proposed Enterprise Zone boundaries.

FISCAL IMPACT

The reduction of potential revenue to the General fund as a result of the new zone boundaries will fluctuate under the conditionally designated zone from \$25,000 to \$75,000 per year.

The reduction of potential revenue to the General fund due to the financial incentives for research and development uses is difficult to determine, however it is estimated based on current waivers for FY 05-06 for research and development uses within the zone that impacts will be in the range of \$100,000 - \$200,000 per year.

Respectfully Submitted,



CYNTHIA J. KURTZ  
CITY MANAGER

Prepared by:

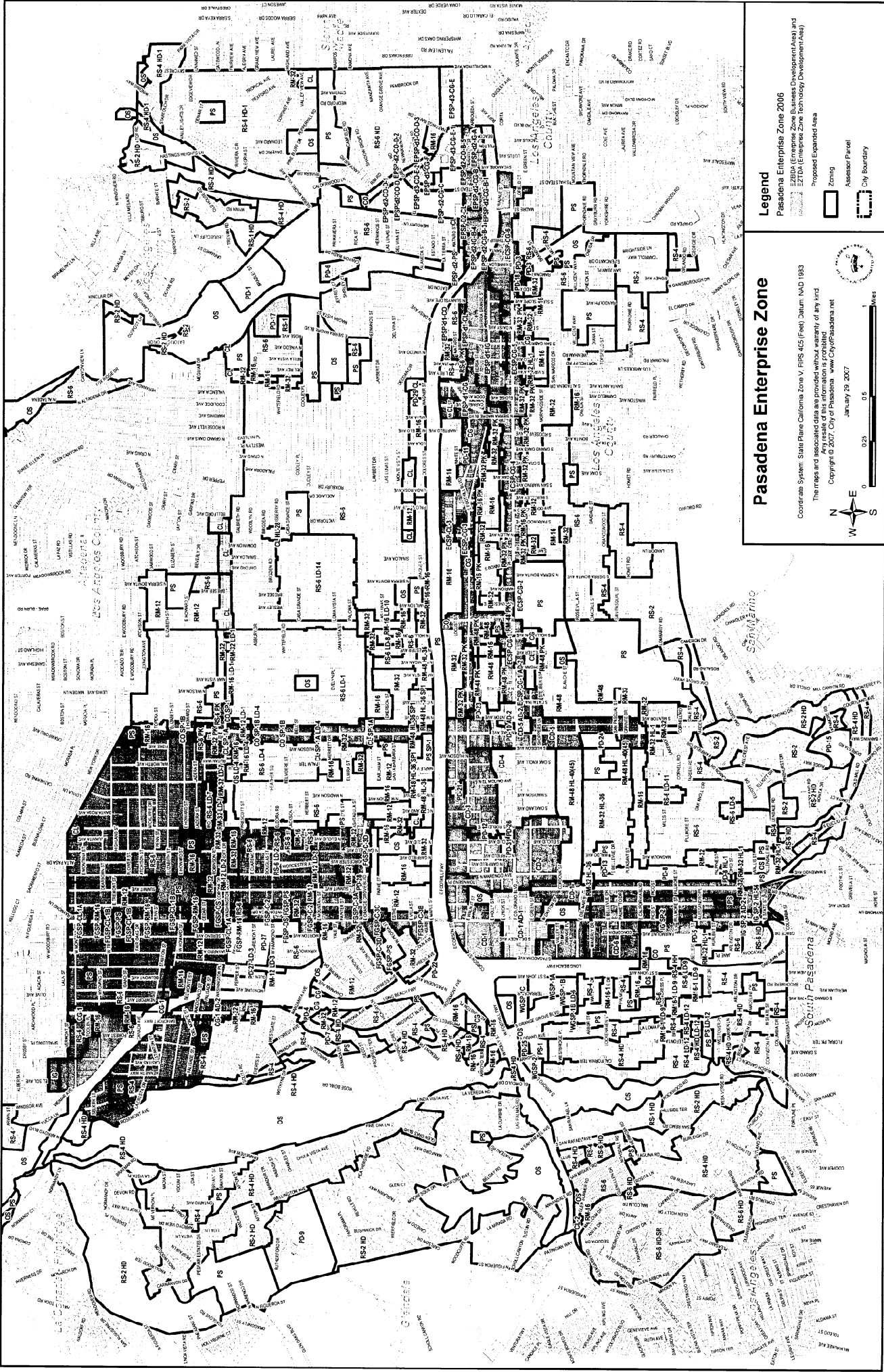


LOLA OSBORNE  
NORTHWEST PROGRAMS MANAGER

Approved by:



RICHARD BRUCKNER  
DIRECTOR OF PLANNING AND DEVELOPMENT



# Pasadena Enterprise Zone

Coordinate System: State Plane California Zone V, FIPS 405 (Feet) Datum: NAD 1983  
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- Legend**
- Pasadena Enterprise Zone 2006  
EEZDA (Enterprise Zone Business Development Area) and  
EEZDA-2 (Enterprise Zone Technology Development Area)
  - Proposed Expanded Area
  - Zoning
  - Assessor Parcel
  - City Boundary