

Agenda Report

DATE: APRIL 20, 1998
TO: CITY COUNCIL
FROM: CYNTHIA J. KURTZ, ACTING CITY MANAGER
SUBJECT: SUPPORT OF SB 2079 ENTERPRISE ZONES

RECOMMENDATION:

It is recommended that the City Council support Senate Bill 2079 "Enterprise Zones" and authorize the Mayor to transmit a letter of support, in the form attached hereto as Attachment A, to California State Senator Jim Costa.

BACKGROUND:

Summary of Proposed Legislation

Senate Bill 2079 is sponsored by Senator Jim Costa and it provides for improvements to the regulatory and tax incentives currently allowed under the Enterprise Zone Act.

Senate Bill 2079 provides the following benefits:

1. Enterprise zones designated prior to 1990 would be allowed, if they meet certain criteria, to retain their designation for 20 years rather than 15 years;
2. Enterprise zones under 13 square miles would be allowed to expand their boundaries by a maximum of 20% rather than 15%;
3. Expands the definition of qualified property for sales and use tax credits to include data processing equipment and software; motion picture production and post production equipment;
4. Provides for changes in the apportionment formula from a four-factor to a two-factor calculation in order to enable businesses to take their earned credits twice as fast. It also limits apportionment to California-based income instead of worldwide income;
5. Clarifies the definition of the term "qualified employee"; and

6. Authorizes the California Trade and Commerce Agency, in accordance with certain criteria, to audit the program of any jurisdiction in an enterprise zone at any time during the period of designation, or at least every five years. It would also provide, under certain circumstances, for the revocation of an enterprise zone designation, whether by the agency or at the request of the local jurisdiction.

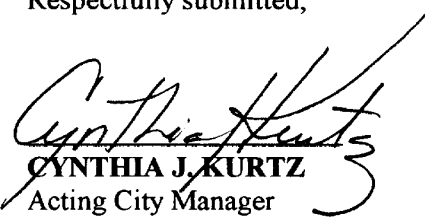
Impact on Pasadena

The adoption of Senate Bill 2079 will allow the City to improve its enterprise zone program by allowing a 20% increase in its size, and by providing a more attractive package of regulatory and tax incentives that businesses can benefit from.

FISCAL IMPACT


Adoption of Senate Bill 2079 will have an impact on the City's General Fund if the size of the Enterprise Zone is expanded by 20 %. This is as a result of the permit center fee waivers and reductions that are provided as local incentives for the Enterprise Zone Program.

Respectfully submitted,




CYNTHIA J. KURTZ
Acting City Manager

Prepared by:



JOSE AMADOR
Enterprise Zone Manager

Approved by:



WILLIAM C. REYNOLDS
Director of Housing and Development

Attachment