CONSENT AGENDA

AGENDA ITEM 12.04
TO: Mayor and City Council

FROM: Kurt O. Wilson, Deputy City Manager
Interim Director of Economic Development

SUBJECT: APPROVE THE REVISED BOUNDARIES OF THE TARGETED EMPLOYMENT AREA FOR THE SAN JOAQUIN COUNTY ENTERPRISE ZONE

RECOMMENDATION

It is recommended that the City Council adopt a resolution, in conjunction with San Joaquin County and the cities of Lodi, Lathrop, Manteca, Tracy, Ripon, and Escalon, approving the list of census tracts as the revised boundaries of the Targeted Employment Area for the San Joaquin County Enterprise Zone.

Summary

As part of the Enterprise Zone final designation process, the Council approved the Targeted Employment Area ("TEA") for the San Joaquin County Enterprise Zone in October 2008. State regulations require Enterprise Zones to update their TEA boundaries when new U.S. Census data becomes available. Updated census data was provided to San Joaquin County in January 2013. All municipal partners in the County Enterprise Zone, including the City of Stockton and the State Housing and Community Development Department, must approve the new TEA boundaries within 180 days of the new census data being released. The deadline for all parties to approve the new TEA boundaries is July 1, 2013.

DISCUSSION

Background

The State of California designates a maximum of 42 Enterprise Zones throughout the state to encourage business attraction and expansion. The Enterprise Zone program was developed by the California legislature to stimulate business and employment growth in targeted areas. The original Stockton Enterprise Zone was approximately 30 square miles and had a fifteen-year life that expired on June 21, 2008. Since its inception, the Enterprise Zone has been the cornerstone of the City’s economic development strategy. The Enterprise Zone is the best incentive available for business through the State of California. These incentives include a hiring tax credit, sales and use tax credits, business expense deduction, net operating loss carryover of 100%, and net interest deduction for lenders.
In 2007, in anticipation of the expiration of the existing Stockton Enterprise Zone, and in order to put forth the strongest application possible, the Stockton City Council approved joining forces with San Joaquin County and the cities of Lodi, Lathrop, Manteca, and Tracy (Resolution #07-0440). This made it possible to create a joint application, prepared and submitted by San Joaquin County, for a “Super” Enterprise Zone that would include commercial and industrial areas from each jurisdiction. The State of California approved the application and granted the San Joaquin County Enterprise Zone designation on June 22, 2008, which will continue for a period of fifteen years, expiring in 2023. The establishment of the TEA was a condition of this designation.

In March 2010, the City Council authorized a contract with San Joaquin County to administer the San Joaquin County Enterprise Zone and agreed to contribute its proportionate share of the annual operating costs (Resolution #10-0081). The proportionate share is determined by taking the total square miles within the Zone and calculating the percentage of the area that falls within Stockton City limits. For fiscal year 2012-13, approximately 5% (or 32 square miles) of the total 662 square miles is located within city limits and Stockton’s proportionate share is $110,800.

The State allows Enterprise Zones to expand up to 15% during the life of the Zone. The cities of Ripon and Escalon expressed interest in becoming part of the San Joaquin County Enterprise Zone and the zone was expanded to include both jurisdictions in 2011. Each jurisdiction pays their proportionate share to administer the County Enterprise Zone. To date, the County Enterprise Zone has expanded by less than one percent.

A primary goal of a state-designated Enterprise Zone is to provide employment opportunities for residents of distressed areas. The State encourages businesses to hire local workers by offering hiring tax credits for Enterprise Zone employers. As an incentive, businesses can receive a state tax credit of $37,440 per eligible employee over a five-year period. To qualify as an employee, the individual must be certified eligible for the Workforce Investment Act (workforce development services provided by San Joaquin WorkNet) or the State CalWorks program (previously known as Welfare-to-Work, provides workforce development services to individuals receiving public assistance); a disabled person; a Native American; a displaced worker; an economically disadvantaged person; eligible for public assistance; ex-offender; and/or, a resident of a Targeted Employment Area.

A TEA is an area comprised of census tracts with at least fifty-one percent (51%) of its residents at low or moderate-income levels. The purpose of the TEA is to encourage businesses within the Enterprise Zone to hire eligible residents of a qualified geographical area that are most in need of employment.
Present Situation

In October 2008, the City Council approved the TEA for the San Joaquin County Enterprise Zone (Resolution No.08-0412 included as Attachment A). However, State regulations (CA Code Section 7072(i)(4)) compel each Enterprise Zone to update the boundaries of their TEA within 180 days of new U.S. Census data becoming available. The State provided each Zone with a list of eligible census tracts in January 2013. Therefore, the revised TEA boundary must be approved by each local municipality that has jurisdiction of an Enterprise Zone, including the City of Stockton, and must be submitted to State Housing and Community Development Department (HCD) no later than July 1, 2013. If any jurisdiction within the San Joaquin County Enterprise Zone fails to adopt the revised TEA boundaries within the 180 day deadline, then the TEA will no longer exist as an eligible option to qualify employees for a hiring voucher.

During the last reporting period, specifically 2010 through 2012, San Joaquin County employers received over 20,000 tax credit vouchers for hiring Enterprise Zone qualified employees. Nearly 90% of the qualified employees were from the TEA category. More than 500 Stockton businesses take advantage of the hiring tax credits and most of the employees that were vouchedered by these companies qualified under the TEA category. The TEA is an important classification for local businesses to use when hiring new employees.

Within the Stockton city limits, two census tracts were removed from the TEA, tracts 32.05 and 32.16, and one tract was added, 31.12 (see Attachment B – Targeted Employment Area Census Tract 2008 and 2013 Comparison) as a result of changes to the income earnings within those census tracts as reported in the newly released U.S. Census data. Revisions to the TEA boundary are automatically triggered when new Census data becomes available and there is no discretionary process to determine which areas remain within the TEA and which are removed. This determination is solely based on the latest Census data available.

All municipal partners in the San Joaquin County Enterprise Zone and HCD must approve the new boundaries of the TEA before it becomes effective within the 180 day time frame explained above. The updated list of census tracts and revised 2013 TEA map are attached as Exhibits 1 and 2 to the Resolution. San Joaquin County will submit a written request, to HCD as required, to update and approve its TEA.
APPROVE THE REVISED BOUNDARIES OF THE TARGETED EMPLOYMENT AREA FOR THE SAN JOAQUIN COUNTY ENTERPRISE ZONE

FINANCIAL SUMMARY

There is no financial impact to the City of Stockton associated with the adoption of the revised TEA boundary.

Respectfully submitted,

KURT O. WILSON, DEPUTY CITY MANAGER
INTERIM DIRECTOR OF ECONOMIC DEVELOPMENT

KOW:JJM:at

Attachment A: Resolution No. 08-0412
Attachment B: Targeted Employment Area Map 2008 and 2013 comparison

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Resolution No. 08-0412

STOCKTON CITY COUNCIL

RESOLUTION APPROVING BOUNDARIES AND AUTHORIZING THE SUBMISSION TO THE STATE OF CALIFORNIA HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT DOCUMENTS REQUIRED TO REQUEST THE APPROVAL OF THE "TARGETED EMPLOYMENT AREA" ("TEA") FOR THE SAN JOAQUIN COUNTY ENTERPRISE ZONE

On January 31, 2008, the San Joaquin County Enterprise Zone received conditional designation from the State of California; and

On June, 22, 2008, operations of the San Joaquin County Enterprise Zone commenced, pending final designation; and

San Joaquin County will submit the Targeted Employment Area request concurrent with submission of documentation to complete the necessary steps for final designation; now, therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. The City Council does hereby approve boundaries of the Targeted Employment Area as described in Exhibit B.

2. The City Council does hereby authorize the submission, to the State of California, Housing and Community Development Department, any documents required to request the approval of the "Targeted Employment Area" (TEA) for the San Joaquin County Enterprise Zone.

3. The City Manager is authorized to take such other actions as are appropriate to carry out the intent of this Resolution.

PASSED, APPROVED and ADOPTED OCT 21 2008

ATTEST:

KATHERINE GONG MEISSNER, CITY ATTY
of the City of Stockton

EDWARD J. CHAVEZ, Mayor
of the City of Stockton

CITY ATTY REVIEW
DATE OCT 15 2008
ATTACHMENT B
San Joaquin County Enterprise Zone
Targeted Employment Area Comparison 2008 and 2013 for Stockton Area

Legend:
Census 2010 Tracts
- Orange: TEA Eligible
- White: (not eligible)
Source: CA HCD
- Red: Census Tract removed from 2013 TEA Boundary
- Green: Census Tract added to 2013 TEA Boundary
RESOLUTION APPROVING THE REVISED BOUNDARIES OF THE TARGETED EMPLOYMENT AREA FOR THE SAN JOAQUIN COUNTY ENTERPRISE ZONE

On June 21, 2008, the State of California designated the San Joaquin County Enterprise Zone for a period of 15 years; and

In October 2008 the City Council approved the Targeted Employment Area for the San Joaquin County Enterprise Zone; and

The statutes governing the State Enterprise Zone Program require that each zone update its Targeted Employment Area within 180 days of new census data becoming available; and

Updated census data was provided to San Joaquin County in January 2013, and the deadline for all parties to approve the new Targeted Employment Area boundaries is July 1, 2013; and

The County of San Joaquin will submit a written request, as required, to the California Department of Housing and Community Development to approve and update its Targeted Employment Area; now, therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. The City Council hereby approves the updated list of census tracts and the revised boundaries of the Targeted Employment Area for the San Joaquin County Enterprise Zone as shown in Exhibits 1 and 2 attached hereto.
2. The City Council hereby authorizes the submission, to the State of California Housing and Community Development Department, of any documents required to gain approval for the updated Targeted Employment Area for the San Joaquin County Enterprise Zone.

3. The City Manager is authorized to take whatever actions are necessary and appropriate to carry out the purpose and intent of this resolution.

PASSED, APPROVED, and ADOPTED _______April 16, 2013__________.

______________________________
ANTHONY SILVA, Mayor
of the City of Stockton

ATTEST:

______________________________
BONNIE PAIGE, City Clerk
of the City of Stockton
EXHIBIT 1
San Joaquin County Enterprise Zone
Qualifying Targeted Employment Area (TEA) Tracts

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* Portion Tracts indicated with asterisk

Data Published December 2012