

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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Housing Authority of the
City of Sacramento
October 27, 1987
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VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of October 19, 1987, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Glud, Moose, Pettit, Simon, Wiggins, Wooley,
Yew, Amundson


NOES: None

ABSENT: Sanchez, Sheldon, Simpson

RECOMMENDATIONS

The staff recommends adoption of the attached resolution which authorizes the Executive Director to amend the Agency budget to include ACC No. CA30-005-010 for 21 Opt-Out Housing Vouchers for the City of Sacramento.

Respectfully submitted,


WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:


WALTER J. SLIPE, City Manager

2811L

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**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



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(36)

APPROVED
BY THE CITY COUNCIL

OCT 27 1987

OFFICE OF THE
CITY CLERK

Sacramento City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Authorization to Submit Enterprise Zone Applications to the State of California for Downtown/Richards Boulevard Area and Oak Park/Florin-Perkins Area

SUMMARY

This report (1) requests authorization to submit two applications to the State Department of Commerce for designation of Employment and Economic Incentive Areas (commonly known as enterprise zones) in Sacramento, one for Downtown/Richards Boulevard and one for Oak Park/Florin-Perkins and (2) requests approval to offer various local incentives and programs to enterprise zone businesses and residents if designation is approved.

BACKGROUND

Preliminary applications for designation of identified state enterprise zones¹ within cities and counties are due October 28, 1987. This is the final round of designations authorized by the State, which will select finalists from among the various preliminary applications for a total of three additional designations under AB 514 (Waters). Unless the legislation is changed, this will be the last opportunity to receive designation.

¹Officially, Enterprise Zones are only those areas designated under AB 40 (Nolan), but the State tax credits and incentives offered under AB 514 (Waters) for Economic Incentive Areas are essentially the same, with the major difference being in the way businesses can qualify. The terms "enterprise zone" and "economic incentive area" are used interchangeably in this report.

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In late 1986, Sacramento received designation of an Employment and Economic Incentive Area (EIA) for the Northgate/Norwood industrial area (Map 1). Businesses located in the incentive area can qualify for five state income tax credits and deductions (see Attachment 1), low interest loans (see Attachment 2), and other benefits if they hire 30%² of their labor force from certain targeted neighborhoods (see Map 2). Because of the success of this program, it is hoped that two additional designations can be approved, one for the Oak Park/Florin-Perkins area and one for the Downtown/Richards Boulevard area. Applications for these areas were submitted last year, but were denied with the comment that not enough new or targeted local incentives were being offered as part of the program.

Northgate Designation

Designation of the first zone in the Northgate/Norwood area has demonstrated that this state program can have a positive effect on economic development. Because of the designation, Sacramento has witnessed a phenomenal leap in its visibility to companies looking to locate or expand in Sacramento. Over and over again, city industrial recruitment agencies, real estate brokers, and business leaders have reported that when it is known that Sacramento has an enterprise zone and can offer the resultant financial incentives, companies look harder and more seriously at moving to Sacramento.

Though this ability to attract firms is essential to overall development, the City and County have also come to realize that designation brings another important benefit: it tightens the link between job growth and the unemployed residents of our most distressed neighborhoods. Designation forges that link like no other existing job training and placement program can do on its own.

Further evaluation of the first year of operation will be available in the December annual report.

The areas being proposed for 1988 designation are Oak Park/Florin-Perkins and Downtown/Richards Boulevard areas.

²This is by far the most common way to qualify, though there are two other categories of eligible businesses.

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Oak Park/Florin-Perkins

The Oak Park neighborhood has been one of Sacramento's most troubled residential/commercial areas for many years. The major problems in the area are persistently high unemployment rates, low incomes, high crime rates and an overall negative image.

There has been severe deterioration of commercial structures characterized by property abandonment, high rates of conversion to lower uses, and a high level of business foreclosures. The aging housing stock continues to deteriorate. Rental properties are not well managed, and are poorly maintained. As a result, the vacancy rate is a high 16.3%. Over 60% of Oak Park households are families, with over one-third (36.6%) of these headed by one parent.

Despite the attempts of various government programs to improve the standard of living for Oak Park residents, there is a high concentration of low-income families in the neighborhood. Thirty-four percent of the households are considered below the poverty level. Prevalent unemployment largely explains the low household income. In 1980, the unemployment rate was 19.7%³, compared to the citywide rate of 10.3%. Among minority residents, nearly one-fourth were unemployed. The unemployment problems have been chronic and persistent. Educational achievement is low -- only 55.4% of the population over the age of 25 has graduated from high school, compared to a citywide rate of 71.6%. There is a lack of specialized skills or vocational training. In addition, most of those employed are in occupations that tend to have low wages or are seasonal (22% in clerical occupations, 25% in service jobs and 20% in operator, assembly, craft or repair occupations).

Adjacent to the Oak Park neighborhood is the Florin-Perkins area, a major industrial development, with over 600 firms employing 6,400 employees, primarily in heavy manufacturing and warehousing activities. The area has significant potential for growth and the creation of new jobs. Nearly 40% of the 4,000 acres contained in the zone is available for development. Because of its location, facilities and general character, the area has generally been considered a prime development area for industrial uses. Land costs are the lowest of all the industrial areas in the Sacramento Region.

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Designation of an enterprise zone is well-designed to fit the City's economic development strategy for this area. Now that significant infrastructure improvements in traffic and circulation have been completed, the foundation for growth is there. Designation will be an effective marketing tool and financial incentive to attract new development. Secondly, designation may well be the action that will reduce unemployment in Oak Park when so many other attempts have had little impact.

Downtown/Richards Boulevard

Downtown Sacramento is the highest priority area for business development in the City of Sacramento. The need to encourage commercial, industrial and employment growth in re-use and infill activities rather than other types of development such as fringe expansion has been consistently identified. The City has prepared a comprehensive plan and strategy for development of the area with a funding commitment of over \$32 million.

Although some progress has been made to date in revitalizing the downtown core area, significant problems remain. Housing conditions are mixed and include 1,750 units of publicly owned or otherwise subsidized elderly housing, single room occupancy and low income housing projects, such as Riverview Plaza, Dos Rios, Seventeenth Street Commons, River Oaks, New Helvetia and Washington Plaza. Income levels are very low (the area qualifies as a Pocket of Poverty under Federal Urban Development Action Grant Criteria) and businesses are struggling. The unemployment rate is 19.8% (1980 census), despite the fact that there are approximately 46,000 jobs on the doorstep of the residential area. Part of the reason is attributable to the low educational levels. Only 52.1% of the residents are high school graduates, compared to a citywide rate of 71.6%. Homelessness is an ever-present and highly visible problem. The J and K Street corridors, identified as a Neighborhood Economic Development/Commercial Area under this proposal, with a total net loss of 400,000 square feet of retail space since 1975, have experienced significant turnover of major department stores and continued incidence of poor building conditions with a weak, unstable market. Competition from suburban shopping districts is a major cause of the poor market in Downtown. Even Old Sacramento has recently experienced major commercial difficulties.

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The Richards Boulevard corridor, which is designated as the zone's industrial area, is an important industrial/warehousing area in the city. Because the area suffers from circulation problems due to a lack of effective internal circulation and excess traffic demands on Richards Boulevard, improvements are being planned. An image problem also exists from the transient shelters such as the Bannon Street Shelter, Loaves and Fishes Shelter, Salvation Army, and Union Gospel Mission that are located there. There is also evidence of significant plant closings in the food processing industry.

Despite its problems, Downtown/Richards Boulevard is the largest employment center in the city. With aggressive activities to encourage job growth by local government, enterprise zone designation will accelerate the attraction of new investment and provide the additional marketing tool needed to place disadvantaged residents in those jobs.

New Local Incentives

Because designation is so desirable, the current applications offer a local incentive program that we believe has the three critical elements of success:

1. The selection of a program area where there are no serious infrastructure or development constraints inhibiting growth. Both the Florin-Perkins and Downtown areas have potential for growth, but need the stimulation that can come from marketing an enterprise zone program.
2. The establishment of a strong job training/placement program. If designation is received, an Enterprise Zone Job Bank will be set up to connect program area businesses and neighborhood residents. It will also coordinate the existing job training programs to better serve neighborhoods that are typically bypassed by the benefits of economic development.
3. The coordination of an effective marketing team that informs existing and new firms as well as residents about the program and reduces the complexity of their participation to the extent possible. The administrative structure will be able to communicate the potential cost savings of the programs to businesses and deliver assistance from all entities involved in the development process.

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Local incentives that are new or specifically targeted to the Zone are further described below:

- Job Bank: The Enterprise Zone Job Bank will be expanded to the Oak Park and Downtown neighborhoods. (Funding will be determined at a later date. It is expected that some Job Training Partnership Act (JTPA) funds will be available. If not, an expansion of the program will be financed by local funds.) The existing Job Bank, located in donated space at the Grant District Skill Center, has been praised by the Private Industry Council and neighborhood groups for its job placements and high level of resident participation.
- Training Funds: Priority for on-the-job training and customized classroom training funding will be given to zone businesses. In addition, on-the-job training contracts will be expedited for zone businesses. (The Private Industry Council Board is expected to formally approve these actions at their October 14 meeting.)
- Zone Coordinator: A full-time Enterprise Zone Coordinator staff person will be available to administer the program.
- Business Financing: 1) The Enterprise Zone Coordinator will act as a clearinghouse for private and public sector financing available for businesses; 2) Eligible companies will receive financing and certain Industrial Development Bond (IDB) fees will be reimbursed to Zone firms; and, 3) The Certified Development Corporation's (CDC) contract will be amended to give priority attention to zone businesses. In addition, the CDC Board will give priority to loan applications received from zone businesses.

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- Technical Assistance for Industrial Development: Market and site data will be provided. The City Office of Economic Development (OED) will provide updated site inventory information to enterprise zone firms and will also provide market data and information as requested. In coordination with the Enterprise Zone Coordinator, the OED staff will implement a business retention program for the businesses in the industrial areas by contacting them about their needs and problems.
- Minority-Owned Business Enterprise/Women-Owned Business Enterprise (MBE/WBE): The Agency MBE/WBE Coordinator will target marketing efforts and assistance to zone businesses.
- Industrial Recruitment: The Sacramento Area Commerce and Trade Organization, the City Office of Economic Development, and the Enterprise Zone Coordinator will implement a marketing strategy to contact firms of targeted industries and give priority to attracting them to Sacramento enterprise zones.
- Fee Waivers: Planning and regulatory fees including building permit fees, land use-related fees, and business license fees will be waived or reimbursed to certified zone businesses.
- Permit Trouble-shooting: The City Office of Economic Development will mobilize their "Response Team" to have pre-application conferences with enterprise zone businesses to assist the business in obtaining the necessary permits and approvals.

The new incentives and existing programs are described in more detail in the applications.

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ENVIRONMENTAL DATA

The State requires that an Environmental Impact Report (EIR) be prepared or a determination made that a previously prepared EIR covering the geographical area sufficiently addresses the concerns of the Zone proposal. The State has agreed that the EIR submitted with the two applications last year are sufficient and do not have to be revised.

FINANCIAL DATA

The primary financial impact on the City and County for this program is the targeting or extension of existing programs (i.e., Job Bank, MBE/WBE coordinator, neighborhood clean-up and nuisance abatement program, Chamber Certified Development Corporation, tax increment and Community Development Block Grant (CDBG) funded commercial financing programs, IDB program, commercial revitalization coordinators, etc.). An Enterprise Zone Coordinator whose job it is to promote and administer the program is on staff. Other programs, such as the Job Training Partnership Act, the Sacramento Area Commerce and Trade Organization's and City OED resources will also be employed.

If the preliminary applications are approved and final applications are submitted, the City and County will need to:

1. approve an allocation of CDBG funds to cover reimbursements for permit and license fees and IDB fees, or agree to waive those fees;
2. Identify funding for expansion of the Job Bank; and,
3. Approve use of administrative funds to expand the Enterprise Zone Coordinator and Job Bank Coordinator positions and provide a small amount for marketing activities.

No final decision needs to be made at this time other than approving the local incentives, contingent upon the future availability of funding.

Significant tax benefits will flow directly to qualifying area firms.

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POLICY IMPLICATIONS

The action proposed in this staff report is consistent with previously approved policy and there is no policy change recommended. The various benefits and costs associated with applying for Enterprise Zone designation were considered at length when the first preliminary application was authorized to be submitted to the State in September 1985. At that time, the City and County agreed to submit the application and to provide certain incentives to development as stipulated in each application. We believe that the program is successful in complementing our existing economic development and redevelopment efforts and should be expanded to new areas if possible.

VOTE AND RECOMMENDATION OF COMMISSION

On October 19, 1987, the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolution. The votes were as follows:

AYES: Glud, Moose, Pettit, Simon, Wiggins, Wooley,
Yew, Amundson
NOES: None
ABSENT: Sanchez, Sheldon, Simpson

RECOMMENDATION

The staff recommends that you:

- 1) Authorize the Executive Director to submit preliminary applications for designation of the Oak Park/Florin-Perkins and Downtown/Richards Boulevard areas under the Employment and Economic Incentive Act as described in the applications;
- 2) Certify that the High Density Unemployment Areas (HDUAs) do not include non-distressed areas;
- 3) Certify that no portion of the program area is an agricultural area;


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- 4) Certify that the HDUA is within reasonable commuting distance of the proposed program area and that it is reasonable to expect that program area businesses will hire HDUA residents; and,
- 5) Endorse the concepts of, and authorize staff to include, the general incentives described in the staff report in each of the application packages.

Respectfully submitted,



WILLIAM H. EDGAR
Executive Director

Contact Person: Thomas V. Lee
440-1355

TRANSMITTAL TO COUNCIL



WALTER J. SLIPE
City Manager

CS:jann
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10/12/87

87-901

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

October 27, 1987

AUTHORIZING SUBMITTAL OF APPLICATIONS FOR
STATE EMPLOYMENT AND ECONOMIC INCENTIVE AREA DESIGNATION

WHEREAS, the City of Sacramento wishes to promote the economic vitality of the Sacramento area by applying for designation under the State of California Enterprise Zone program for the Oak Park/Florin- Perkins area and the Downtown/Richards Boulevard area;

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:

Section 1. The Executive Director of the Sacramento Housing and Redevelopment Agency is hereby authorized to submit preliminary applications for designation of the program areas of Oak Park/Florin-Perkins and Downtown/Richards Boulevard under the Employment and Economic Incentive Act as described in the applications;

Section 2. It is hereby certified that:

- (a) The High Density Unemployment Areas (HDUAs) do not include non-distressed areas;
- (b) No portion of the program areas is an agricultural area;
- (c) The HDUAs are within reasonable commuting distance of the proposed program areas and that it is reasonable to expect that businesses in program areas will hire residents from HDUAs;

APPROVED
BY THE CITY COUNCIL

OCT 27 1987

OFFICE OF THE
CITY CLERK

Section 3. The concepts of the general incentives described in the staff report for this resolution shall be used by staff in each of the application packages.

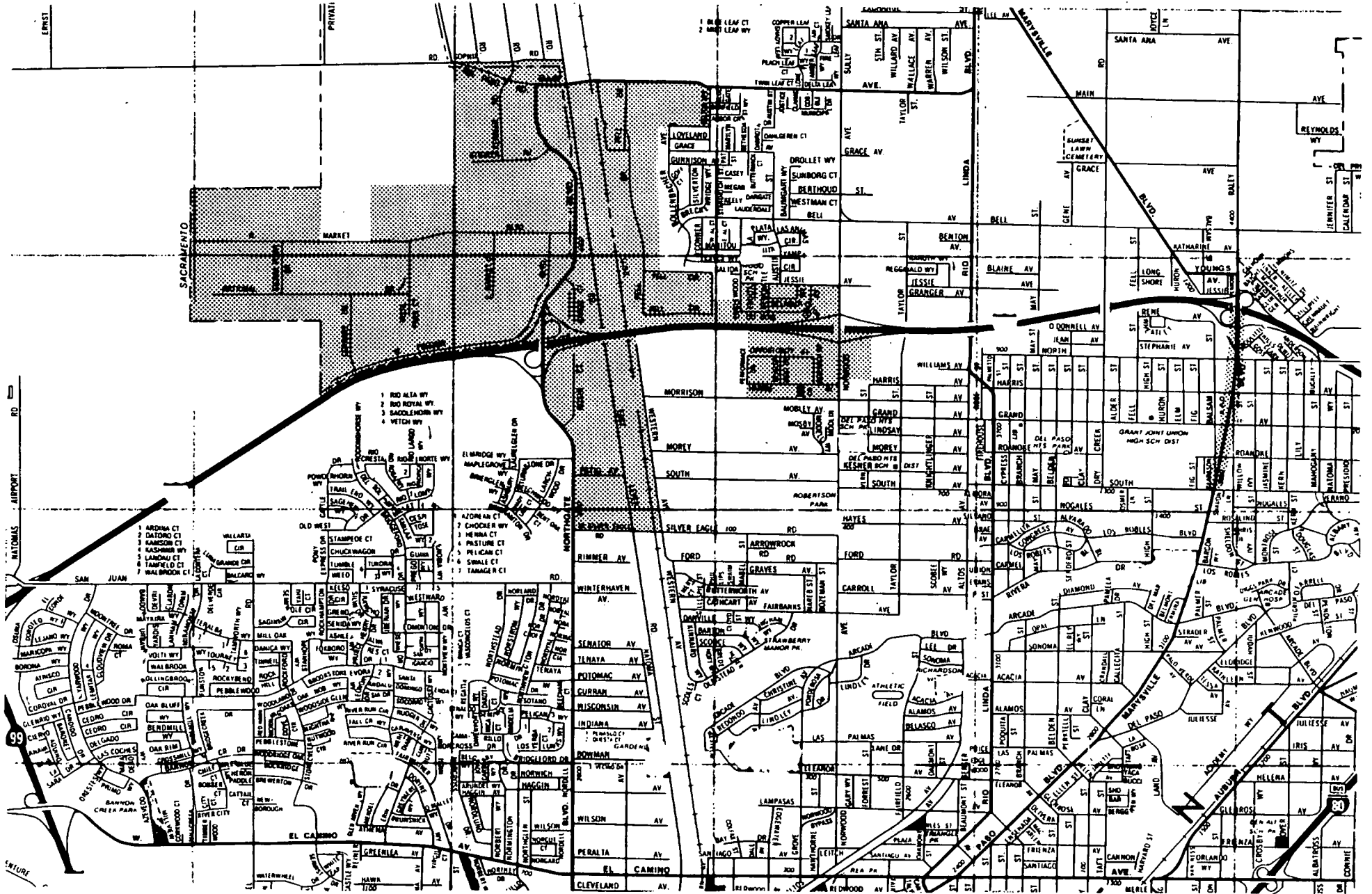
MAYOR

ATTEST:

CITY CLERK

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SACRAMENTO ENTERPRISE ZONE NORTHGATE/NORWOOD AREA



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Franchise Tax Board – State of California

Guidelines for Program Area Tax Incentives

Program areas have been established in California to stimulate business in selected areas with a high level of unemployment.

The Employment and Economic Incentive Act provides state tax incentives for "qualified businesses" or investments inside designated employment incentive or program areas.

The Employment and Economic Incentive Act provides five business-related incentives which are explained in this publication:

1. Credit for sales and use tax;
2. Credit for hiring the unemployed;
3. First-year business expense deduction;
4. Net operating loss carryover;
5. Tax-free interest earned on investments.

A qualified business is one which is certified by the California Department of Commerce as a business:

- Which employs at least 50% of its program area employees who are residents of high density unemployment areas; or
- Which employs at least 30% of its program area employees who are residents of high density unemployment areas, and the company develops an approved community service program; or
- Which has at least 30% of its owners who are residents of high density unemployment areas.

A business becomes qualified to claim these tax benefits after being certified by the Department of Commerce. For further information regarding

certification requirements please contact:

Department of Commerce
1121 L Street, Suite 600
Sacramento, CA 95814
Attention: Enterprise Zone Programs
Telephone: (916) 324-8211

This guide briefly explains the five business-related incentives to help investors and business operators understand the potential financial impact of each provision and what must be done to take advantage of the tax incentives. Detailed information about the methods used to compute allowable tax savings is explained in form FTB 3805Z, available from the Franchise Tax Board in January.

1 Sales and Use Tax Credit

A qualified business can reduce net tax by the amount of sales or use tax paid on certain machinery and machinery parts purchased for use exclusively in a program area. In any year, individuals may claim a credit equal to the sales or use tax paid or incurred on the first \$1 million of equipment; corporations may claim a credit equal to the tax paid or incurred on the first \$20 million.

To qualify for the special credit, the machinery or parts must be used to:

- Manufacture, process, combine or otherwise fabricate a product; or
- Produce renewable energy resources; or
- Control air or water pollution.

The following conditions apply when claiming this tax credit:

- The machinery and equipment must be used exclusively within the boundaries of a program area;
- The amount of credit, in any single year, is limited to the tax that would be due if the income related to business activity in the program area represented all of your net income; the remaining credit may be claimed in future years by applying it to tax due only on program area income;
- You may not also claim a business expense deduction for the same sales or use tax paid;
- If you purchase out-of-state equipment and claim the special credit for the use tax you paid, the credit will be allowed only if equipment of a

comparable quality and price was not available for purchase in California when it was needed.

Example: You spend \$50,000 to purchase machinery used to manufacture wooden toys. The sales tax you paid for the purchase is \$3,000. You may reduce the amount of your income tax by up to \$3,000 depending on the tax you owe on income from the program area business. If you cannot claim the full amount of the \$3,000 in a single year, you may carry over the remaining unused amount to reduce next year's tax due on program area income.

Record Keeping

To support your claim of the sales and use tax credit on your tax return, you should keep records which identify and describe the property purchased, the amount of sales or use tax paid on its purchase, and the location where it is used. If you purchase out-of-state machinery, you should be able to substantiate attempts to purchase comparable items within California.

2 Credit For Hiring The Unemployed

A special tax credit, equal to a portion of the wages paid to one or more qualified employees, may be claimed by a qualified program area business.

For the purpose of claiming this credit, a qualified employee is someone who is a resident of a high density unemployment area and has been unemployed at least three months.

For the purpose of claiming the Credit for Hiring the Unemployed, a business must meet the requirements for certifications indicated earlier based on its hiring record during the 12-month period immediately preceding the application for certification with the California Department of Commerce.

Up to 12% of the wages paid to a qualified employee may be claimed as a credit against the tax you owe. The credit is based on the actual hourly wage paid or 150% of the minimum hourly wage established by the Industrial Welfare Commission, whichever is smaller. The minimum hourly wage (as of August 1986) is \$3.35; 150% of \$3.35 is \$5.02. Therefore, the maximum hourly wage on which this credit may be based is \$5.02.

The chart below shows the actual percentage of wages paid which may be claimed as a credit:

Period of Employment	Months Unemployed	Credit
1st 12 months	3 months	5%
1st 12 months	6 months	12%
2nd 12 months	3 or more months	7%

The following conditions apply to the program area credit for hiring qualified employees:

- The hiring of a qualified employee must take place after the official certification of the qualified business or within the 90 days prior to certification as a qualified business by the Department of Commerce;

- The credit cannot exceed the amount of tax that would be due if the income related to business activity in a program area was all of your net income;
- If the amount of the program area credit for employing qualified persons is greater than the net tax on program area income in any year, the excess credit may be carried over to future years.

Note: If this credit is allowed for wages paid to a qualified employee who is terminated within 270 days after the start of employment, an additional tax, equal to the credit allowed, will be due on the return filed for the year during which the employee was terminated. The tax will be added unless the termination was:

- Voluntary on the part of the employee;
- Caused by the employee becoming disabled;
- A response to employee misconduct;
- Due to a substantial reduction in business;
- Carried out so that other qualified individuals could be hired, creating an increase in the number of qualified employees and hours of employment.

Example: You hire a qualified employee who had been previously unemployed for eight months. This employee earned \$9,900 for 1,800 hours of employment in your qualified program area business during the first 12 months after he was hired. The hourly wage you paid was \$5.50. You may claim a credit based on \$5.02 (not \$5.50). The maximum amount of the credit you may claim is \$1,084, or 12% of the \$9,036 first paid.

Record Keeping

If you hire qualified employees and plan to claim this credit on your tax return, you should keep records of the employment history for each qualified employee showing the dates of employment, wages paid, the duties performed, and the address of each employee when hired.

Another Important Consideration

Taxpayers who claim both special credits available to qualified program area business operators—the sales and use tax credit in addition to the credit for hiring qualified employees—may not claim a total credit amount which exceeds the tax due on program area income in any single year. However, credits which exceed the tax due on program area income may be carried over to offset the tax due on program area income in subsequent years.

3 Business Expense Deduction

Part of the cost of certain property purchased for exclusive use in a program area by a qualified business may be deducted as a business expense in the first year it is placed in service.

The type of property which qualifies for this special treatment is property used as an integral part of a qualified business, including machinery and machinery parts used in:

- Manufacturing, processing, combining or otherwise fabricating a product; or
- Producing renewable energy resources; or
- Controlling air or water pollution.

The maximum amount which can be deducted is the lesser of 40% of the cost of the machinery or parts or:

- \$40,000 if the property is first put into use in a tax year which ends within 24 months after the program area is designated;
- \$30,000 if the property is first put into use in a tax year which ends between the 24th and 48th month after the designation;
- \$20,000 if the property is put into use in a tax year which ends after the 48th month following designation.

The election to treat the cost of qualified property as a business expense must be made in the year the property is first placed into service. However, this election is not allowed if the property was:

- Transferred between members of an affiliated group;
- Acquired as a gift or inheritance;
- Traded for other property;
- Received from a personal or business relation as defined in Section 267 of the Internal Revenue Code.

Note that the program area business expense deduction is claimed in lieu of regular and additional first year depreciation. Depreciation of property value beyond the amount deducted may be claimed using any depreciation method normally permitted, beginning in the tax year following the year the machinery is placed in service.

Two conditions apply to the future tax treatment of property if a portion of its purchase is deducted under the terms of this special program area provision:

- The basis (cost for depreciation purposes) of the property must be reduced by the amount allowed as a deduction;
- The full amount of the deduction must be included in income if the property is no longer used in a program area at any time during the two years after the property was first placed in service.

Example: Three months after your business has been certified as a qualified program area business, you purchase a baking oven which costs \$20,000. You depreciate the oven over a ten year period using the straight line method. The program area business expense deduction you may claim is \$8,000 (\$20,000 × 40%). You may also claim the normal \$1,200 of depreciation in the next year (\$12,000 / 10 years = \$1,200).

Record Keeping

You should maintain information which will allow you to substantiate your claim to the first-year business expense deduction. The records you keep for each item should show:

- The identity and purchase price (evidenced by a receipt);
- The date on which the property was first placed in service in a program area;
- The location where the property is used.

4 NOL Carryover

Net operating losses of a qualified business in a program area may be carried over to future tax years to reduce the amount of taxable income from the program area for those years. The net operating loss (NOL) carryover is determined by computing the business loss which results strictly from business activity in a program area.

The following limitations apply to the program area NOL carryover:

- Carryovers may extend for up to 15 years;
- Financial institutions using bad debt reserve methods may extend the carryover for only three years;
- Carryovers may not be applied to tax years prior to the year in which the NOL occurred (no "carrybacks");
- Taxpayers who qualify for both a NOL in a program area and a NOL as a "new small business" or from the business of farming must make an irrevocable election as to which NOL will be claimed.

Example: In the first tax year beginning after your business is qualified as a program area business, you show a \$5,000 net operating loss which is the result exclusively of your program area activity. Because of the loss, you owe no tax on program area income. In the following year, your qualified business shows a profit of \$8,000. You may carry over the \$5,000 first year loss to reduce your taxable program area income for the second year.

Record Keeping

To support your claim of a net operating loss carryover on your California income tax return, you should maintain:

- Records showing the date your business was certified as a qualified business in the program area;
- Accounting records showing the business activity of the qualified business;
- Financial data indicating that the income which the carryover is offsetting is the product of business activity in a program area.

5 Nontaxable Investments

Interest earned on investments in a qualified business located in a program area is free from California tax.

Investments which qualify for tax-free treatment include business loans, mortgages and commitments of venture capital. The full amount of interest, less any allowable expenses incurred in making the investment, may be deducted from taxable income if:

- The investment is made in a qualified business located solely within a program area;
- The money invested is used strictly for business activities within a program area;
- The investor has no equity or other ownership interest in the trade or business.

Example: You loan \$5,000 to a qualified program area business in which you have no ownership. You earn \$500 in interest from your investment during the year. The \$500 may be deducted from your taxable income.

Record Keeping

To support the investment interest deduction on your tax return, you should maintain records showing or describing the following for each of your program area investments:

- The identity and location of the qualified business to which you loaned the money;
- The amount of your investment and the amount of interest income earned during the tax year.

For More Information

If you have questions about the California state income tax incentives available to investors or qualified businesses operating in a program area, please call the toll-free number for your area listed below.

From Area Codes 213, 619, 714, 805, and 818 call 800-852-5711

From Area Codes 209, 408, 415, 707, and 916 (except Sacramento) call 800-852-7050

From the Sacramento Metropolitan area call 369-0500

If a toll call from your Sacramento location, call 800-852-7050

From outside California, call (not toll-free) 916-369-0500

Any information about geographic boundaries of a zone, dates of designation or other information not related to tax incentives is available from:

California Department of Commerce
1121 L Street, Suite 600
Sacramento, CA 95814
Attention: Enterprise Zone Programs
Telephone: (916) 324-8211.

ENTERPRISE ZONE BULLETIN

LOW INTEREST LOANS FOR ENTERPRISE ZONE BUSINESSES

July 15, 1987

Special low-interest loan funds have been set aside exclusively for businesses locating in enterprise zones. Since the State has discretionary authority over the funds, the application process is exceptionally easy. Requirements for using the loan funds are summarized below, though state staff emphasizes that these are guidelines only and there is considerable flexibility allowed:

RATE: 8% fixed

TERM: tied to life of the asset

MAXIMUM AMOUNT: \$350,000 **MINIMUM AMOUNT:** \$50,000

USES: Working capital, fixed assets, real estate, etc.

MATCHING FUNDS REQUIREMENTS: \$2 private:\$1 public

OTHER REQUIREMENTS:

1. Loan approved must result in the creation of new jobs
2. Applicant must be certified as an eligible enterprise zone business

TIMING: Funds can be disbursed after July 1, 1987

APPLICATION INFORMATION NEEDED:

- . 3 year financial statements
- . current financial statement
- . personal financial statement from owners, if applicable
- . past income tax statements

Funds will be used on a first-come, first-served basis. If you know of any businesses that are interested, call Cynthia Shallit, the Enterprise Zone Coordinator, at 440-1355 as soon as possible.

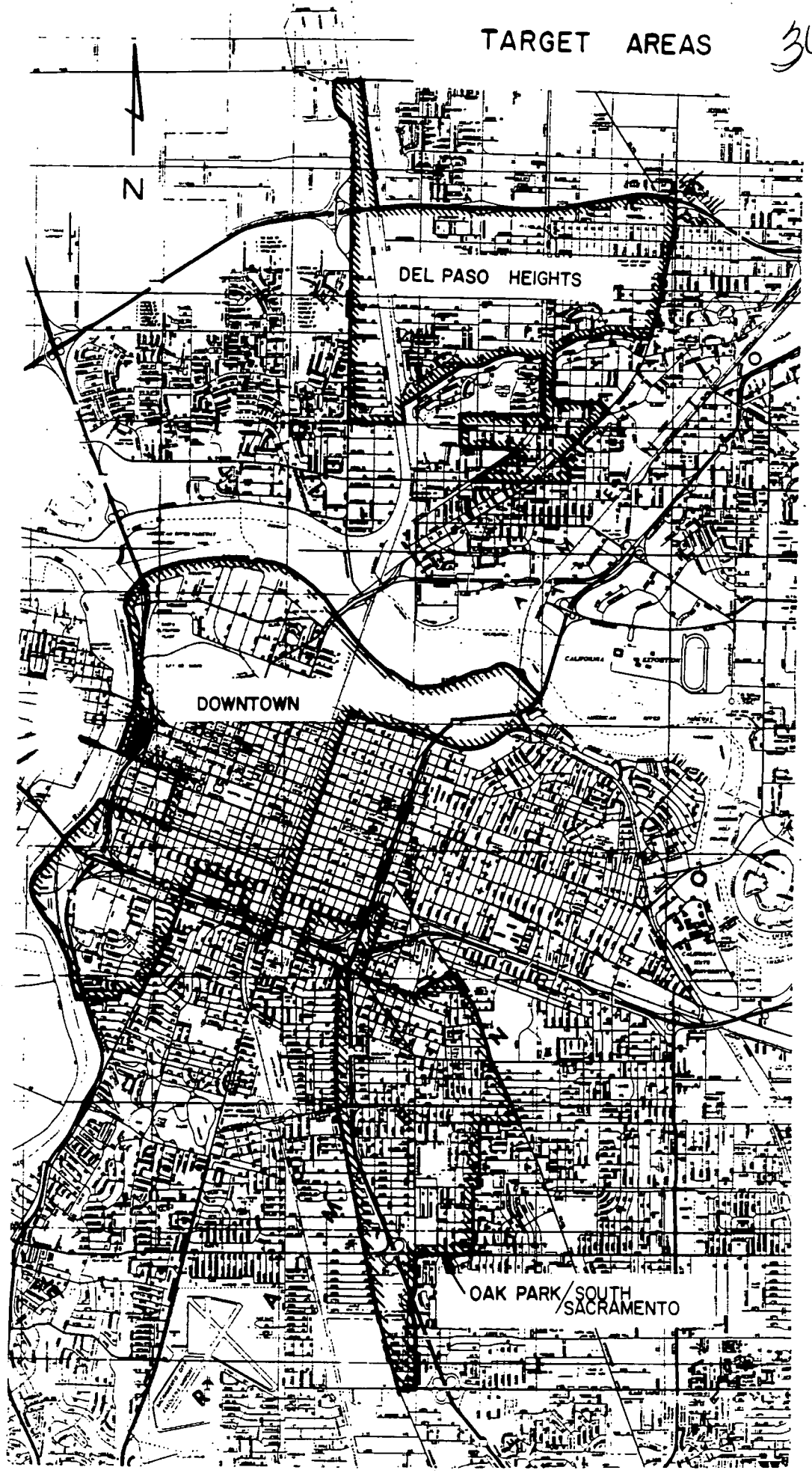
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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY




MAILING ADDRESS: P.O. BOX 1834, Sacramento, CA 95809
OFFICE LOCATION: 630 I Street, Sacramento, CA 95814 (916) 440-1355

TARGET AREAS

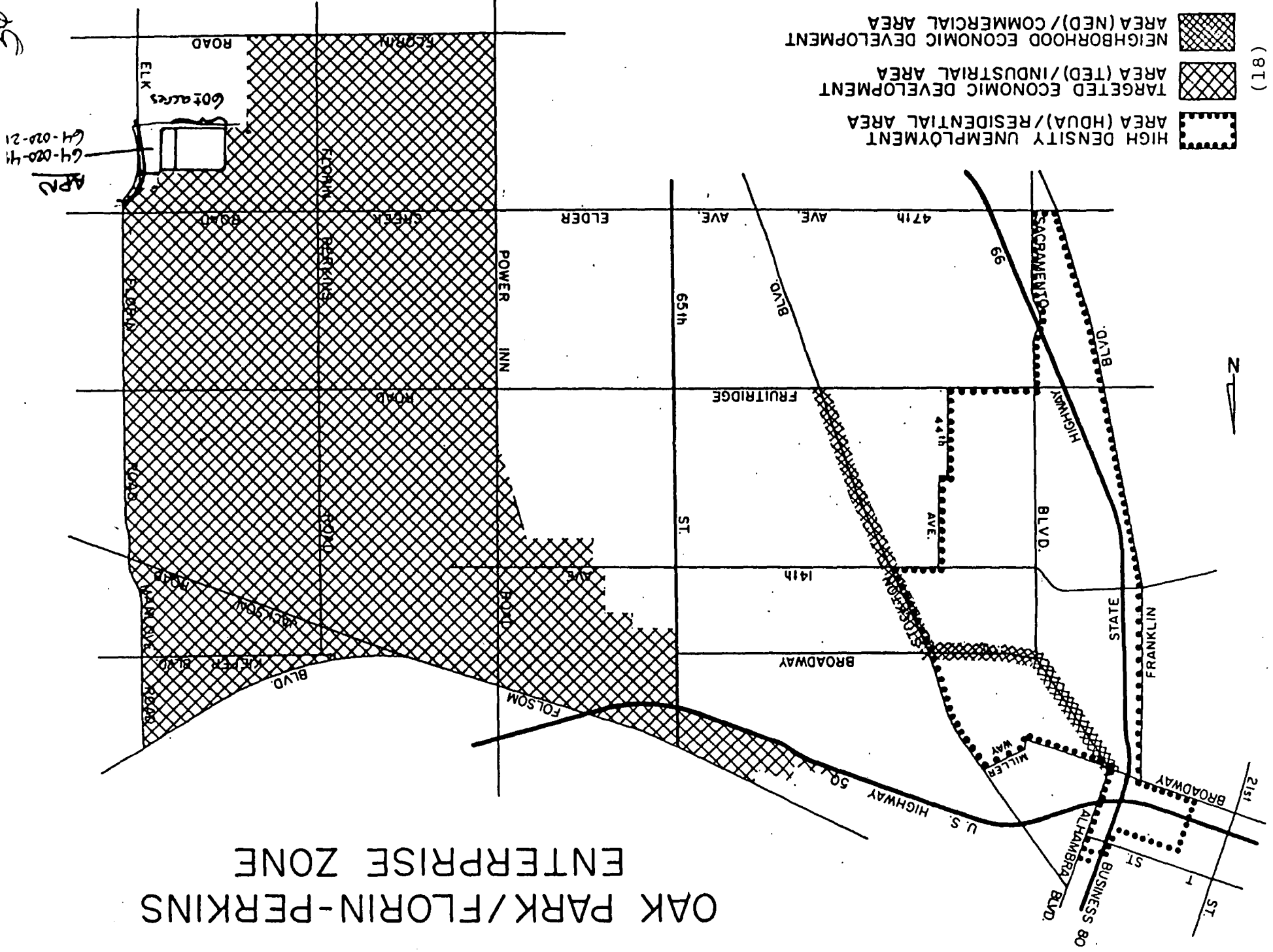
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OAK PARK/FLORIN-PERKINS ENTERPRISE ZONE

- 
 HIGH DENSITY UNEMPLOYMENT
 AREA (HUA)/RESIDENTIAL AREA
- 
 TARGETED ECONOMIC DEVELOPMENT
 AREA (TED)/INDUSTRIAL AREA
- 
 NEIGHBORHOOD ECONOMIC DEVELOPMENT
 AREA (NED)/COMMERCIAL AREA

(8T)



APN
64-020-44
64-020-21

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DOWNTOWN / RICHARDS BOULEVARD ENTERPRISE ZONE

MAP 4
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