



**Sacramento
Housing &
Redevelopment
Agency**

November 3, 2004

City Council
of the City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: ENTERPRISE ZONE FEE ADOPTION

LOCATION & COUNCIL DISTRICT

District 1, 2, 3, 5, 6, 8

RECOMMENDATION

Staff recommends adoption of the attached resolution which establishes a twenty dollar (\$20) Sacramento Housing and Redevelopment Agency processing fee in addition to the state's ten dollar (\$10) fee (to be collected by Sacramento Housing and Redevelopment Agency and remitted to the state) for reviewing eligibility documentation for each Enterprise Zone hiring credit voucher application.

CONTACT PERSONS

Jim Hare, Program Manager, 440-1313
Eve Silverman, Development Services Analyst 440-1399 x1411

FOR COUNCIL MEETING OF

November 23, 2004

SUMMARY

This report recommends the adoption of a twenty dollar (\$20) local fee to be added to the state fee of ten dollars (\$10) for review of documentation for providing a hiring credit to businesses employing potentially eligible tax credit employees.

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COMMISSION ACTION

At its meeting of November 3, 2004, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Burns, Burruss, Gore, Harland, Hoag, Piatkowski

NOES: None

ABSENT: Coriano, McCarty, Simon, Stivers

BACKGROUND

The Sacramento Housing and Redevelopment Agency has administered the Enterprise Zone Program on behalf of the City and County of Sacramento since the first designation of the Northgate Norwood Zone in 1985. Additional zones were designated in Oak Park-Florin Perkins (1989) and the Sacramento Army Depot (1994). Enterprise Zones provide a variety of state tax incentives to businesses which locate within their boundaries. Incentives include a sales tax credit, rapid depreciation, net interest deduction for lenders, preference points for state contracts and hiring credits.

A state designated Enterprise Zone (EZ) provides a tool for local economic development efforts to attract and retain businesses and create jobs. Local jurisdictions are expected to provide resources for assisting businesses within these zones by having outreach and marketing plans, financing programs, job development/employee referrals, vouchering of tax credit eligible individuals, and other local incentives available to supplement the state granting of tax credits.

Prior to January 2004, administration of the program for the 39 zones statewide and other incentive areas had been overseen by the State of California Department of Technology, Trade and Commerce Agency (TTCA). This oversight was transferred to the State Department of Housing and Community Development (HCD) after TTCA was abolished last year. HCD was provided a single employee from another state department and no administrative funding to operate or provide oversight of the program. State administrative duties include promulgating program regulations, approving new zone designations, reviewing address range corrections and updates, approving boundary expansions, providing the Legislature with statutorily-mandated program reports. The lack of staff resulted in moratoria being placed on most EZ activities that required HCD action.

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Senate Bill 1097, signed into law by the Governor on August 16, 2004, authorized administrative funding for the State EZ program and required all local zone administrative agencies to assess and remit to the state a fee of ten dollars (\$10) for each hiring credit application reviewed. This fee will fund the State's oversight activities. The Agency will have to account for and remit the fees collected to the State on a monthly basis, regardless as to the amount collected, which further increases the Agency's administrative costs.

The additional local fee of twenty dollars (\$20) is recommended to compensate the Agency for the staff and overhead costs associated with reviewing hiring credit documentation, and remitting fees to the State. The additional charge would bring the total fee to \$30 per submittal.

The State mandated fee originally slated for October was revised to start November 1, 2004. The additional local fee is proposed to begin January 2005.

FINANCIAL CONSIDERATIONS

The proposed local fee will have a beneficial financial impact on the Agency. The purpose of the action is to charge a fee to cover the cost of providing a service, both to the applicants and to the state. Approval of this report will allocate twenty of each thirty dollars collected to be retained locally to support the local administration of the program and is calculated to recover the Agency's actual cost in providing the service. It is estimated that at least 500 applications will be reviewed each year and provide at least \$10,000.

POLICY CONSIDERATIONS

This administrative action does not affect existing policy of the Agency.

ENVIRONMENTAL REVIEW

The proposed action does not constitute a project subject to environmental review under California Environmental Quality Act (CEQA) Guidelines Section 15378 (b)(2) (operating policies and procedures), or a federal undertaking under NEPA.

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M/WBE CONSIDERATIONS

The items discussed in this report have no M/WBE impact; therefore M/WBE applications do not apply.

Respectfully submitted,



ANNE M. MOORE
Executive Director

Transmittal approved,



ROBERT P. THOMAS
City Manager

RESOLUTION NO. _____

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF

**ESTABLISHING PROCESSING FEES FOR
ENTERPRISE ZONE HIRING TAX CREDIT APPLICATIONS**

WHEREAS, Senate Bill 1097, signed by the Governor on August 16, 2004, requires local agencies that administer Enterprise Zones collect a ten dollar (\$10) fee to be remitted to the State for each hiring tax credit application submitted; and

WHEREAS, in order to fund the cost of administering this State fee and to obtain reimbursement of staff costs and overhead to review these applications, the City of Sacramento desires to also establish a local processing fee in the amount of twenty dollars (\$20).

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:

Section 1. All of the evidence presented having been duly considered, the findings, including the environmental findings regarding this action, as stated in the staff report that accompanies this resolution, are approved.

Section 2. The Sacramento Housing and Redevelopment Agency, as the administrator of the State Enterprise Zone incentive areas on behalf of the City of Sacramento, is hereby authorized to charge a local fee of twenty dollars (\$20) in addition to the state mandated ten dollar (\$10) fee for the review of Enterprise Zone tax credit hiring applications. The State fee is to become effective on November 1, 2004 per the State's directive. The additional local fee is to become effective as of January 1, 2005.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____