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OFFICE OF THE CITY CLERK
OAKLAND

CITY OF OAKLAND
AGENDA REPORT

2010 DEC 23 PM 3:35

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: January 11, 2011

RE: AN ORDINANCE AMENDING ORDINANCE NUMBER 13024 C.M.S. (MASTER FEE SCHEDULE), TO INCREASE THE \$75 ENTERPRISE ZONE PROCESSING FEE BY \$5 TO \$80 PURSUANT TO SENATE BILL 856, AND TO INCREASE FEES FOR EXPEDITED ENTERPRISE ZONE VOUCHER PROCESSING ASSESSED BY THE COMMUNITY AND ECONOMIC DEVELOPMENT AGENCY BY \$15 TO \$110 AND BY \$35 TO \$150

SUMMARY

The attached ordinance amends Ordinance Number 13024 C.M.S. (the Master Fee Schedule, or “MFS”), to increase the \$75 Enterprise Zone (EZ) processing fee by \$5 to \$80 and to increase expedited fees assessed by the Community and Economic Development Agency from \$95 by \$15 to \$110 and from \$115 by \$35 to \$150. In most cases, changes to fees are required to offset increases in costs related to the provision of services for which fees are charged, and/or to better reflect the predominant market fees and demand. Detailed explanations/justifications for fee changes are provided in the “Discussion” section below and in *Attachment A*.

FISCAL IMPACT

The revenue increases from the proposed Master Fee Schedule changes will offset increases in costs to provide services for which the increased fees are charged, with no net gain. The delay in implementing the voucher fee increase (from \$10 to \$15) is expected to generate a loss in the current year because the City would not be able to pass the increased fee amount to clients. The loss of (or the foregone) revenue is expected to be approximately \$2,500 based on FY 2009-10.

Increased revenue from the expedited fees is projected to total \$55,000 for FY 2010-11 based on past revenue collected for FY 2009-10.

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KEY ISSUES AND IMPACTS

State law authorizes the California Department of Housing and Community Development (HCD) to assess each economic development area a fee of not more than \$10 for each Enterprise Zone application it accepts for the issuance of a specified tax certificate. Senate Bill 856 (Chapter 719, Statutes of 2010), enacted this year, revises these provisions to require HCD to collect a fee of \$15. With the passage of SB 856 as part of the budget, the State's fee per EZ voucher application will increase from \$10 to \$15. Since the bill was passed as an urgency measure, it had been understood that the fee increase would go into effect immediately upon being signed by the Governor on October 19, 2010. However, HCD is notifying the zones that they have been able to arrange for a delayed implementation of the fee increase until December 1, 2010 in order to allow the zones time to change their procedures.

This ordinance will authorize the City to raise voucher fees by \$5 per voucher, by February 1, 2011 to cover the increase in the HCD fee. Loss of revenue is expected to be approximately \$2,500 based on FY 2009-10 voucher data for November and December 2009.

Expedited vouchering processing fees were introduced by the City in July 2008 to provide an option for companies to process vouchers within 30 days for an additional \$20; or 15 days, for an additional \$40. Expedited fees generate additional revenue to the Enterprise Zone Program. For FY 2008/09, expedited fees were \$8,129, and for FY 2009-10 fees were \$50,130, an increase of \$42,000. This ordinance will also provide for an increase in those fees.

Oakland's EZ was expanded into the City of Berkeley effective December 1, 2009 and into the City of Emeryville to be effective February 2011. An annual fee was negotiated based on the number of vouchers businesses processed. The annual fee negotiated with the City of Berkeley and the City of Emeryville is \$50,000 each for FY 2009-10. The administrative fees for Berkeley and Emeryville will be renegotiated each year based upon the projected number of hiring tax credit vouchers to be processed. The annual administrative fees are intended to cover current and past EZ program operating costs.

Direct staff and operating costs required to administer the EZ Program are approximately \$360,000 annually. The \$75 voucher fee generates approximately \$265,500 per year, based on a projection of 3,500 vouchers. For FY 2009-10, the EZ generated 4,297 total vouchers and revenues of \$372,588.

In addition to the mandated pass-through fee increase of \$5 to the State, staff recommends that fees for expedited voucher processing be increased to make up for any loss attributed to the State's increase, and to continue to cover operating costs.

SUSTAINABLE OPPORTUNITIES

Economic:

The revenues collected will support the Enterprise Zone Program of the City.

Environmental:

There are no environmental opportunities as the result of the amendment of the Master Fee Schedule.

Social Equity:

The Enterprise Zone Program Fees support programs which support social equity to all City residents.

DISABILITY AND SENIOR CITIZEN ACCESS

There is no direct impact to disabled or senior citizen access.

RECOMMENDATION(S) AND RATIONALE

Staff recommends that the City Council accept this report and adopt a proposed ordinance amending the Master Fee Schedule. Once adopted, the amended fees will become effective on February 1, 2011.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council adopt the proposed ordinance amending the Master Fee Schedule.

Respectfully submitted,



Walter S. Cohen, Director

Community and Economic Development Agency

Reviewed by:

Gregory Hunter, Deputy Director
Economic Development and Redevelopment

Prepared by:

Susana Villarreal, Enterprise Zone Coordinator

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:


Office of the City Administrator

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CED Committee
January 11, 2011

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE**

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Sacramento, CA 94252-2054
(915) 322-1554
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Enterprise Zone Program

MANAGEMENT MEMORANDUM Memorandum Number 10-03

Date: November 5, 2010

TO: All G-TEDA Administrators

From: Chris Westlake
Deputy Director

SUBJECT: Notice of New Hiring Credit Voucher Application Fees

Pursuant to the passage, signing, and chaptering of SB 856, the Enterprise Zone Hiring Credit Voucher application fee which is payable to the Department of Housing and Community Development for each voucher application received has been increased from \$10 to \$15 per voucher.

In order to allow local enterprise zones sufficient time to notify applicants of the increase and to adjust their own collection processes, the fee increase will not take effect until December 1, 2010. Thereafter the department's fee for all applications received shall be \$15.00 per voucher application. The report and accompanying remittance for activities in December of 2010 (due on or before January 25, 2011) will therefore reflect the new fee amount.

SB 856 (Chapter 719, Statutes of 2010)

(9) Existing law prescribes the duties and responsibilities of the Department of Housing and Community Development in connection with the establishment of various economic development areas including enterprise zones, manufacturing enhancement areas, targeted tax areas, and local agency military base recovery areas. Existing law authorizes the department to assess each of these economic development areas a fee of not more than \$10 for each application it accepts for the issuance of a specified tax certificate issued by a local government. This bill would revise these provisions to require the department to collect a fee of \$15 for each application it accepts for the issuance of the specified tax certificate. The bill would require the fees to be deposited in the Enterprise Zone Fund, which the bill would create. These funds would be available to the department, upon appropriation by the Legislature, for the costs of administering the programs relating to each economic development area...."

FILED
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OAKLAND

APPROVED AS TO FORM AND LEGALITY:


Deputy City Attorney

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OAKLAND CITY COUNCIL

ORDINANCE No. _____ C.M.S.

ORDINANCE AMENDING ORDINANCE NUMBER 13024 C.M.S. (MASTER FEE SCHEDULE) TO INCREASE THE \$75 ENTERPRISE ZONE PROCESSING FEE BY \$5 TO \$80, AND TO INCREASE THE EXPEDITED ENTERPRISE ZONE PROCESSING FEES BY \$15 TO \$110 AND BY \$35 TO \$150

WHEREAS, the City of Oakland periodically updates its Master Fee Schedule to account for general cost of living increases and program changes or other costs; and

WHEREAS, the justification for the fee modifications and increases authorized herein for the Enterprise Zone program are set forth in the staff report accompanying this Ordinance; and

WHEREAS, the City Council finds and determines that the herein-referenced modifications and increase are necessary to reimburse the State of California Department of Housing and Community Development for the costs of administering the State Enterprise Zone Program and to cover the City's costs in operating the program; now, therefore

THE COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS FOLLOWS:

Section 1. The Master Fee Schedule as set forth in Ordinance Number 13024 C.M.S. is hereby amended to increase the \$75 Enterprise Zone processing fee assessed by the Community and Economic Development Agency by \$5 to \$80, and to increase expedited Enterprise Zone processing fees by \$15 from \$95 to \$110, and by \$35 from \$115 to \$150.

Section 2. This ordinance shall be effective on February 1, 2011, upon approval by the Council of the City of Oakland.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, REID, SCHAAF, and PRESIDENT BRUNNER

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California

ORDINANCE AMENDING ORDINANCE NUMBER 13024 C.M.S. (MASTER FEE SCHEDULE), TO INCREASE FEES ASSESSED BY THE COMMUNITY AND ECONOMIC DEVELOPMENT AGENCY

NOTICE AND DIGEST

This Ordinance authorizes an amendment to Ordinance Number 13024 C.M.S. (Master Fee Schedule), to increase fees assessed by the Community and Economic Development Agency. These amended fees would become effective February 1, 2011 and would remain in effect until further notice. A public hearing has been scheduled to review the proposed fee changes. The meeting will take place at the time of the first reading of the proposed ordinance by the Council, at 5:00 pm on January 11, 2011.