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OFFICE OF THE CITY CLERK
OAKLAND

CITY OF OAKLAND

AGENDA REPORT

2009 JUL 23 PM 6:56

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: July 28, 2009

A Resolution Approving The Expansion Of The Boundaries Of The Oakland Enterprise Zone Into Portions Of Emeryville And West Berkeley

SUMMARY

This report recommends expanding the City of Oakland's State Enterprise Zone (EZ) into portions of Emeryville and West Berkeley by requesting approval of an application to the State of California Department of Housing and Community Development. In so doing, additional businesses will be able to take advantage of the Enterprise Zone's incentives, thus expanding job opportunities for the unemployed and underemployed workforce in the Eastbay corridor.

FISCAL IMPACT

The expansion will generate revenue through the vouchering processing fees of \$75.00 per voucher issued. Vouchering fees offset the cost of administering the EZ Program. Fees collected for F/Y 2008/2009 were \$250,000.00. The EZ is one of Oakland's most significant incentives for attracting and retaining businesses, for job creation, and for generating tax revenues for the City. This expansion will create additional opportunities for Oakland residents who reside in the EZ Targeted Employment Area when the employers in the expanded areas seek to take advantage of the tax credits by hiring Oakland residents. The employers will also receive tax credits by hiring residents who live in the newly expanded areas.

BACKGROUND

Recognizing the need to encourage business investment and promote creation of new jobs in the City of Oakland, the City applied for and received a 15-year State Enterprise Zone designation on September 28, 1993. In January of 2007, Oakland was awarded a new designation effective September 28, 2008 for an additional 15 years. This program enables businesses located in the Enterprise Zone to receive several different tax credits from the California Franchise Tax Board in order to encourage business investment in the Enterprise Zone areas. The credits can be taken for the hiring of qualified employees, purchase of qualified equipment, for the depreciation of qualified business real property and against net operating losses.

Under existing law, the State Department of Housing and Community Development (HCD) allows Enterprise Zones to expand into other jurisdictions. Oakland expanded into Emeryville December 28, 1998 to include Chiron and additional businesses, including retail. The expansion

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provides Oakland residents with an advantage to obtain jobs in Emeryville. Data from 2006/2007 indicates a contribution from Emeryville companies of \$65,000 to the EZ program, representing 1,300 jobs to Oakland residents.

KEY ISSUES AND IMPACTS

Oakland staff has been planning to come back to the City Council to expand the Enterprise Zone to neighboring cities in the East Bay Green Corridor to increase job opportunities, including for Oakland residents.

The urgency of expanding the EZ program at this time is to assist the City of Berkeley in its efforts to retain Bayer, the leading Biotechnology/Biopharmaceutical Company in the East Bay. Bayer will decide on August 18, 2009 whether to make a \$100 million investment in the Berkeley Campus, or to contract out manufacturing and slowly dismantle its local operations. Bayer's workforce consists of 1,300 employees including 200 Oakland residents. Expanding the Oakland Enterprise Zone into Emeryville and Berkeley will generate over \$13 million in benefits to Bayer over 10 years and will benefit other regional employers in the Zone. Bayer is the anchor industry to BioTech Partners, a career pathway program that operates at Oakland Technical and Berkeley High School. It places high school and community college interns from our low income community in education programs and biotech jobs with career potential.

Further, through the East Bay Green Corridor Partnership (a regional collaboration of eight mayors, University of California, Berkeley, Lawrence Berkeley National Laboratory, California State University East Bay, and the Peralta and Contra Costa Community College Districts), the cities are committed to working with Bayer to promote its expertise and commitment to economic and workforce development in the region. Also, the East Bay Green Corridor Partnership is positioned as an existing incentive, and in conjunction with the expanded Enterprise Zone can bring additional businesses and job opportunities.

SUSTAINABLE OPPORTUNITIES

Economic: Enterprise Zone incentives encourage business investment and promotes the creation of new jobs. The hiring tax credit targets low-income and disadvantaged residents in finding and retaining jobs, including the unemployed, victims of lay-offs, and public assistance recipients.

Environmental: The local hiring incentive of the Oakland Enterprise Zone reduces travel time to work and thus cuts down on traffic congestion and air pollution in the region.

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Social Equity: The Enterprise Zone program offers incentives to businesses that hire people who were previously unemployed and/or who have barriers to employment, such as at-risk youth and ex-offenders.

DISABILITY AND SENIOR CITIZEN ACCESS

The Enterprise Zone Program also provides tax incentives to businesses that hire disabled individuals and senior citizens.

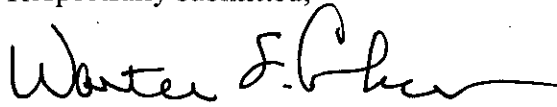
RECOMMENDATION

Staff recommends that the City Council adopt the resolution authorizing the City Administrator to submit an Enterprise Zone Expansion application to include portions of Emeryville and West Berkeley to the State of California Department of Housing and Community Development.

ACTION REQUESTED OF THE CITY COUNCIL

Adopt the resolution authorizing the City Administrator to submit the Enterprise Zone Expansion Application to the California Department of Housing and Community Development.

Respectfully submitted,



Walter S. Cohen, Director

Community & Economic Development Agency

Prepared by:
Susana Villarreal, Enterprise Zone Coordinator
Business Development Services

APPROVED AND FORWARDED TO THE
CITY COUNCIL:



Office of the City Administrator

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Approved as to Form and Legality


Oakland City Attorney's Office

OAKLAND CITY COUNCIL

Resolution No. _____ C.M.S.

Introduced by Councilmember _____

A RESOLUTION APPROVING THE EXPANSION OF THE BOUNDARIES OF THE OAKLAND ENTERPRISE ZONE INTO PORTIONS OF EMERYVILLE AND WEST BERKELEY

WHEREAS, California Government Code Sections 7073 and 7074 allow for each California designated enterprise zone area to be expanded contiguous to the current enterprise zone by an aggregate amount not to exceed fifteen (15) percent of the geographic area within the boundaries of the enterprise zone as originally designated by the California Department of Housing and Community Development; and

WHEREAS, the Oakland Enterprise Zone, as originally designated by the California Department of Housing and Community Development encompassed an area of 23,438.9 acres; and

WHEREAS, the Oakland Enterprise Zone could be expanded by an amount not to exceed 3,515.84 acres; and

WHEREAS, the Cities of Oakland, Emeryville and Berkeley would like to expand the Oakland Enterprise Zone into approximately 500 acres of Emeryville and 850 acres of Berkeley along San Pablo Avenue; and

WHEREAS, the City of Oakland agrees to submit a written request to the California Department of Housing & Community Development to have its current enterprise zone boundaries expanded; and

WHEREAS, land included in the proposed expansion is zoned for industrial or commercial use; and

WHEREAS, any non-industrial or non-commercial land can only be included if that land is a right-of-way and is needed to meet the requirement for a contiguous expansion between an existing enterprise zone and the proposed expansion area; and

WHEREAS, basic infrastructure, including, but not limited to, gas, water, electrical services, and sewer systems, is available to the proposed expansion area; and

WHEREAS, the cities of Emeryville and Berkeley will provide the same or equivalent local incentives as provided by Oakland's Enterprise Zone, now therefore, be it

RESOLVED: That the best interests of the City of Oakland would be served by extending the incentives associated with the Oakland Enterprise Zone to the subject 1,350 acres into the Cities of Emeryville and West Berkeley; and be it

FURTHER RESOLVED: That the City Administrator is hereby authorized to negotiate and enter into an Administrative Management Agreement with Emeryville and West Berkeley to administer the proposed expanded Oakland Enterprise Zone; and be it

FURTHER RESOLVED: That the City Administrator is hereby authorized to submit to the California Department of Housing and Community Development an application seeking approval by the Department and expansion of the boundaries of the Oakland Enterprise Zone to include the subject 1,350 acres.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, QUAN, REID, AND
PRESIDENT BRUNNER

NOES -

ABSENT -

ABSTENTION -

ATTEST:

LATONDA SIMMONS
City Clerk and Clerk of the Council of
the City of Oakland, California