

CITY OF OAKLAND
AGENDA REPORT

FILED
OF THE CITY CLERK
OAKLAND
2009 NOV 18 PM 12:49

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: December 1, 2009

RE: **A Resolution Approving The Expansion Of The Oakland Enterprise Zone Into Remaining Commercial And Industrial Areas And Designating A Targeted Employment Area**

SUMMARY

This report recommends expanding the City of Oakland's State Enterprise Zone (EZ) into the commercial and industrial areas not presently included in the City's EZ, and designating a Targeted Employment Area (TEA) by requesting approval for submission of applications to the State of California Department of Housing and Community Development (HCD).

FISCAL IMPACT

The expansion will generate revenue through the vouchering processing fees of \$75.00 per voucher issued in the newly expanded areas. The EZ is one of Oakland's most significant incentives for attracting and retaining businesses, job creation, and generating tax revenues for the City. This expansion will create additional opportunities for Oakland residents who reside in the EZ TEA when employers in the expanded areas seek to take advantage of the tax credits by hiring Oakland residents.

BACKGROUND

In 1984, the California State Legislature passed enabling legislation that provided for the creation of Enterprise Zones, geographic areas that offer state and local incentives to new and existing businesses in those areas. The legislation targeted areas that are characterized by slower-than-average business development. This program is designed to bring jobs to the residents of TEAs, and to help revitalize economically distressed areas in the State.

Recognizing the need to encourage business investment and promote the creation of new jobs in the City of Oakland, the City applied for and received a 15 year State EZ designation on September 28, 1993, that included Downtown, the Airport, all industrial and several (but not all) commercial areas. After expiring in September 2008, Oakland applied for and was awarded a new EZ designation effective September 28, 2008 for an additional 15 years.

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Under existing law, the State Department of Housing and Community Development allows EZ's to be expanded contiguous to the current zone by an aggregate amount not to exceed 15 percent of the geographic area within the boundaries of the EZ as originally designated by HCD. Oakland expanded into Emeryville December 28, 1998 to include Chiron and additional businesses, including new retail areas. On July 28, 2009 the Oakland City Council approved the expansion of the Oakland EZ into portions of Emeryville and West Berkeley. The urgency of expanding the EZ was to assist the City of Berkeley in its efforts to retain Bayer, which proved successful.

The State requires that new EZ's apply for a TEA. New EZ's may use their former TEAs during their conditional stage. Once approved, a new TEA will become effective on the EZ's designation date.

KEY ISSUES AND IMPACTS

The City's Enterprise Zone Program has identified the need to expand this successful program to commercial areas that were not included within the boundaries of the newly designated EZ. The commercial areas currently not in the EZ that would be included if Council adopts the staff recommendations are: Claremont Avenue; College Avenue; Lakeshore Avenue; Grand Avenue; MacArthur Corridor; Montclair Village; Park Avenue; Piedmont Avenue; Redwood Avenue; Upper Broadway and Oak Knoll. The expansion would allow businesses located in the areas to benefit from the tax credits upon approval from the State HCD Department.

Section 7072 (i) of the Government Code defines "Targeted Employment Area" as an area within a City that is composed solely of those census tracts that have at least 51 percent of its residents of low- or moderate – income levels. Its purpose, according to the Code, is to encourage businesses in an EZ to hire eligible residents from these geographic areas. The incentive for these businesses is the availability of a tax credit for hiring residents who reside in a TEA.

PROGRAM DESCRIPTION

This program enables businesses located in the EZ to receive several different tax credits from the California Franchise Board in order to encourage business investment in the EZ areas. The credits can be taken for the hiring of qualified employees, purchase of qualified equipment, depreciation of qualified business real property and against net operating losses.

SUSTAINABLE OPPORTUNITIES

Economic: EZ 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.

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

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

DISABILITY AND SENIOR CITIZEN ACCESS

The EZ provides tax incentives to businesses that hire disabled individuals and senior citizens.

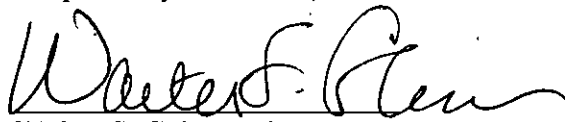
RECOMMENDATION AND RATIONALE

Staff recommends that the City Council adopt the resolution authorizing the City Administrator to submit an Enterprise Zone expansion application, to include remaining commercial and industrial areas and designation of the Oakland Enterprise Zone Targeted Employment Area, to the State of California Department of Housing and Community Development.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council adopt the resolution authorizing the City Administrator to submit the EZ Expansion and TEA Application to the State of California.

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
Business Development Services

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:



Office of the City Administrator

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Approved as to Form and Legality
OFFICE OF THE CITY CLERK
OAKLAND, CALIFORNIA
Deputy City Attorney
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OAKLAND CITY COUNCIL

Resolution No. _____ C.M.S.

A RESOLUTION APPROVING THE EXPANSION OF THE OAKLAND ENTERPRISE ZONE INTO REMAINING COMMERCIAL AND INDUSTRIAL AREAS AND DESIGNATING A TARGETED EMPLOYMENT AREA

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 on September 28, 2008, encompasses 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 City of Oakland would like to expand the Oakland Enterprise Zone into approximately 950 acres to include the following commercially zoned shopping districts Claremont Avenue; College Avenue; Lakeshore Avenue; Grand Avenue; MacArthur Corridor; Fruitvale Avenue, Montclair Village; Park Avenue; Piedmont Avenue; Redwood Avenue; Upper Broadway; Oak Koll; and other commercial areas that total 950 acres; 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 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 best interests of the City of Oakland would be served by extending the tax incentives associated with the Oakland Enterprise Zone to the subject 950 acres; and

WHEREAS, on September 26, 1996, the State revised the Enterprise Zone Act by Senate Bill No. 2023 and Assembly Bill 296, effective January 1, 1997; and

WHEREAS, the Enterprise Zone Act as amended, establishes “targeted employment areas” composed of census tracts having at least 51 percent of its residents at low or moderate income levels, with the purpose of encouraging businesses in an enterprise zone to hire eligible residents of those geographic areas of the city most in need of employment targeting; and

WHEREAS, the amended Enterprise Zone Act allows the City Council of the City of Oakland to designate those census tracts which are most in need of this employment targeting; now, therefore, be it

RESOLVED: That the following census tracts, lying completely or partially within the territorial jurisdiction of the City of Oakland have been designated by the United States Department of Housing and Urban Development as having at least 51 percent of their residents at low to moderate income levels, and are most in need of employment targeting pursuant to the Enterprise Zone Act:

4003, 4004, 4005, 4006, 4007, 4008, 4009, 4010, 4011, 4012, 4013, 4014, 4015, 4016, 4017, 4018, 4019, 4021, 4022, 4023, 4024, 4025, 4026, 4027, 4028, 4029, 4030, 4031, 4033, 4034, 4035, 4036, 4037, 4038, 4039, 4040, 4041, 4048, 4049, 4052, 4053, 4054, 4055, 4056, 4057, 4058, 4059, 4060, 4061, 4062.01, 4062.02, 4063, 4064, 4065, 4066, 4068, 4069, 4070, 4071, 4072, 4073, 4074, 4075, 4076, 4077, 4078, 4082, 4083, 4084, 4085, 4086, 4087, 4088, 4089, 4090, 4091, 4092, 4093, 4094, 4095, 4096, 4097, 4098, 4101, 4102, 4103, 4104; and be it

FURTHER RESOLVED: That a targeted employment area composed of the census tracts specified above and having the boundaries created by grouping these census tracts together is hereby approved; and be it

FURTHER RESOLVED: That the City Administrator is hereby authorized to submit to the California Department of Housing and Community Development applications seeking approval by the Department of the targeted employment area, and expansion of the City of Oakland's enterprise zone boundaries to have its current boundaries expanded by a total of 950 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