



AGENDA ITEM NO: 2.A.

City Manager: [Signature]

## - CITY OF CLOVIS - REPORT TO THE CITY COUNCIL

TO: Mayor and City Council

FROM: Community & Economic Development Department

DATE: April 12, 2010

SUBJECT: Consider Approval - Res. 10-\_\_\_, Declaring support for the continued funding of California's Enterprise Zone Program.

ATTACHMENTS: Resolution 10-\_\_\_

### CONFLICT OF INTEREST

None

### RECOMMENDATION

That the City Council approve Res. No. 10-\_\_\_, declaring support for the continued funding of California's Enterprise Zone Program.

### EXECUTIVE SUMMARY

Since July 24, 2008, the City of Clovis has participated in the Enterprise Zone Program. During the past 20 months 33 businesses have begun to participate in the program, assisting with 160 being created or retained. The tax credits available through the program provide a total first-year potential savings of \$1,996,800 and a potential five-year potential savings of \$5,990,400 for participating businesses. The attached resolution requests that the State of California continue to support the Enterprise Zone Program. The resolution is necessary because the state legislature is currently considering legislative bills that would cut or eliminate the Enterprise Zone Program.

## **BACKGROUND**

On May 12, 2008, the Council approved City participation in the Fresno Regional Enterprise Zone Program that designated 17 areas (1,456.33 acres) as targeted employment areas. On July 24, 2008, Clovis' 17 industrial and commercial areas were designated as part of the Fresno Regional Enterprise Zone Program. Since the target areas were designated, Staff has worked to market the program to eligible businesses. There are several benefits to businesses who participate in the Enterprise Zone Program including: hiring tax credit, sales and use tax credit, business expense deduction and net interest deduction for lenders.

To date, 33 Clovis businesses are participating in the Enterprise Zone Program and 160 jobs have been produced or retained. The Enterprise Zone hiring tax credit has a total first-year potential savings of \$1,996,800 and a potential five-year potential savings of \$5,990,400 for participating businesses.

The Enterprise Zone Program is constantly under siege from the state legislature as it struggles to balance California's budget. There are legislative bills that range from eliminating the program altogether to removing under performing target areas. The attached resolution states the City of Clovis' support for the program, the benefits the program has provided to Clovis businesses, and urges the state to support the Enterprise Zone Program.

## **FISCAL IMPACT**

None.

## **REASON FOR RECOMMENDATION**

The Enterprise Zone is the most impactful state incentive to create new jobs, grow existing businesses, and compete with other states to attract outside investment to California. If the Enterprise Zone is lost, it would be a huge setback to providing economic assistance to Clovis businesses.

## **ACTIONS FOLLOWING APPROVAL**

Staff will send the resolution with a letter of support for the Enterprise Zone Program to the State.

Submitted by: Tina Sumner, Director, Community and Economic Development

**RESOLUTION NO. 10-\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CLOVIS TO KEEP THE ENTERPRISE ZONE INCENTIVE PROGRAM IN PLACE IN CALIFORNIA**

WHEREAS, the origins of California's Enterprise Zone came through enactment of two separate programs in 1984: the Enterprise Zone Act and the Employment and Economic Incentive Act; and

WHEREAS, the Enterprise Zone Act provided tax credits for businesses that hire certain residents living in distressed areas; and

WHEREAS, the County of Fresno has a qualified Enterprise Zone program in place defining the duties and responsibilities of each party in the Fresno Regional Enterprise Zone Program; and

WHEREAS, on November 3, 2006, the State of California designated the parties to implement the Enterprise Zone Program, which offers employers located within certain geographical areas of Fresno County (the "Targeted Employment Areas") tax advantages and incentives; and

WHEREAS, on July 24, 2008, the City of Clovis had 17 geographical areas designated as Targeted Employment Areas; and

WHEREAS, the Enterprise Zone Program in the City of Clovis has assisted 33 companies in producing and retaining 160 jobs; and

WHEREAS, the Enterprise Zone Program in the City of Clovis has been utilized to fill 160 new or existing positions, creating a total first-year potential savings of \$1,996,800 and five-year potential savings of \$5,990,400; and

WHEREAS, during the last two years of Enterprise Zone activity, the City of Clovis has come to recognize the Enterprise Zone as the most impactful state incentive to create new jobs, grow existing businesses, and compete with other states to attract outside investment to California.

NOW, THEREFORE BE IT RESOLVED, the City Council of the City of Clovis believes that eliminating the most critical business assistance program in the state would be a huge setback to improving California's business climate and its struggles to reach an economic recovery, and urges the State of California to support the Enterprise Zone Program.

The foregoing resolution was introduced and adopted at a regular meeting of the City Council of the City of Clovis held on April 12, 2010 by the following vote, to wit:

AYES: Councilmembers

NOES:

ABSENT:

ABSTAIN:

DATED: April 12, 2010

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Clerk