



R-23

Date: June 2, 2009
To: Mayor Foster and City Councilmembers
From: Val Lerch, Vice Mayor, 9th District *Val*
Gary DeLong, 3rd District City Councilmember *GD*
Subject: Opposition to AB 1139 (Enterprise Zone Tax Credits)

I respectfully request my colleagues join me in supporting our City Manager and the California Association of Enterprise Zones (CAEZ) in opposition to Assembly Bill 1139.

The Enterprise Zone program assists economically distressed communities by encouraging job growth, reducing poverty levels and increasing household income.

Recommendation:

Request the City Attorney to prepare a resolution in opposition to AB 1139.

Attachments



Date: April 23, 2009
To: State Legislation Committee Members
From: Patrick H. West, City Manager
Subject: Opposition to AB 1139 (Perez) – Enterprise Zone Tax Credits

Attached for your information is a letter addressed to Chairman John Perez expressing the City's opposition to AB 1139, which would alter the California Enterprise Zone Program, by creating unrealistic requirements on businesses.

The Enterprise Zone provides targeted areas with a means to stimulate business and employment growth. Enterprise Zone incentives help disadvantaged areas reduce blight and poverty, and encourage business creation, expansion and retention. AB 1139 would create burdensome requirements that will deter many businesses from California operations, as it will eliminate the tax credits and incentives the program offers to promote business retention.

For more information, please contact Tom Modica, Manager of Government Affairs, at 8-5091.

Attachment

PW:mb
c:statelegoppdbw.mem

cc: Mayor and Members of the City Council
Suzanne Frick, Assistant City Manager
Reginald Harrison, Deputy City Manager
Lori Ann Farrell, Director of Financial Management
Tom Modica, Manager of Government Affairs
Jason Kintner, Management Assistant
Jyl Marden, City Council Liaison
Mike Arnold and Associates



CITY OF LONG BEACH

OFFICE OF THE CITY MANAGER

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PATRICK H. WEST
CITY MANAGER

April 23, 2009

The Honorable John Perez
Chair of Assembly of Jobs, Economic Development & the Economy Committee
State Capitol, Room 3160
Sacramento, CA 95914

RE: Opposition for AB 1139 (Perez) – Enterprise Zone Tax Credits

Dear Chairman Perez:

I am writing on behalf of the City of Long Beach to express our opposition to AB 1139, which would substantially alter the California Enterprise Zone program by creating unrealistic requirements on businesses who are currently, or who could, take advantage of tax benefits offered only in these economically depressed areas of high unemployment.

The City of Long Beach offers an urban Enterprise Zone of over 41.4 square miles, encompassing thousands of businesses. The Long Beach Enterprise Zone provides targeted areas with a means to stimulate business and employment growth. Enterprise Zone incentives help disadvantaged areas reduce blight and poverty, and encourage business creation, expansion, and retention.

AB 1139 would create burdensome requirements that will deter many businesses from California operations, as it will eliminate the tax credits and incentives the program offers to promote business retention. This bill requires that an employee work at least 35 hours a week or that the employer absorb at least 80% of the costs of health care coverage. AB 1139 would also eliminate the Targeted Employment Area (TEA) hiring credit criteria, which is one of the primary ways that employees residing in low-income, low-employment neighborhoods qualify for hiring credits under the program. This legislation would create new conditions and requirements that will drastically reduce the number of participants in the program, thus negatively impacting the California Enterprise Zones.

The unemployment rate in California for March was 11.2%, which, according to the Department of Finance, is the highest unemployment rate in the state since 1941. The unemployment rate in Los Angeles County is even higher – 11.4%. Now is certainly not the time to undermine any program that promotes job creation and retention.

CALIFORNIA ASSOCIATION  OF ENTERPRISE ZONES

April 13, 2009

The Honorable John Perez
State Capitol
Sacramento, CA 95814

Re: **AB 1139 – Enterprise Zone Tax Credits - OPPOSE**

Dear Assemblyman Perez:

On behalf of the California Association of Enterprise Zones (CAEZ), I am writing to advise you that the CAEZ is **OPPOSED to Assembly Bill 1139**, as proposed to be amended on April 13, 2009.

CAEZ is an organization representing Geographically Targeted Economic Development Areas(G-TEDA) throughout the state, including Enterprise Zones (EZ), Local Agency Military Base Recovery Areas (LAMBRA), Manufacturing Enhancement Areas, and Targeted Tax Areas. Our membership is comprised of a partnership of the public and private sector, representing hundreds of communities and businesses statewide.

The Enterprise Zone program assists economically distressed communities by encouraging job growth, reducing poverty levels and increasing household income. Communities spend valuable time and money participating in a competitive application process, designed to award an Enterprise Zone designation to communities that have the greatest need. As part of the application process and throughout the life of the Enterprise Zone, each zone must develop and maintain an economic development strategy and meet additional benchmarks in order to retain their designation. This commitment is made through collaborations between local and regional governments and the private sector, forging a strong public-private partnership. Together, these partners work together to attract, retain and expand job growth in their communities. The Enterprise Zone program is one of the last remaining economic development tools that California has to offer businesses.

Assembly Bill 1139 would dismantle the current Enterprise Zone program benefits by mandating an employer comply with burdensome requirements that will effectively eliminate the benefits of the program. The cost of compliance would far outweigh any tax advantage the

program has to offer. This will deter many businesses from continuing their California operations, as the tax benefits and credits often provide relief from the higher costs of doing business in California.

Specifically, the bill will eliminate the Targeted Employment Area (TEA) hiring credit criteria. Over 90% of all hiring credit vouchers are issued under the TEA qualification. This provision will shrink the program to a fraction of its current value and deprive untold thousands of low-income residents the opportunity for employment.

The bill further requires that an employee work at least 35 hours a week *or* that the employer absorb at least 80% of the costs of health care coverage. This further reduces the likelihood that an employer would be able to make use of the Enterprise Zone program benefits. The cost of covering the health care costs alone will outweigh any benefit derived from the Enterprise Zone tax credits.

At a time when we should be focused on ways to retain and create jobs in this slowing economy, most leaders, including President Barack Obama, are looking for ways to provide the necessary tools to stimulate economic growth, not deter that growth. This bill will abolish a successful economic development program that has proven to be effective in assisting the most vulnerable and disadvantaged in society, the people who are hardest hit in an economic downturn. Now is not the time to create a competitive disadvantage for California businesses.

At a time when the unemployment rate in California is north of 10%, AB 1139 will strangle economic growth and eliminate jobs. Reducing Enterprise Zone incentives will only exacerbate the current economic problems. We must seek ways to increase opportunities for businesses to grow and expand, thereby creating and retaining jobs, not creating barriers to employment.

The areas of California that would be negatively impacted by AB 1139 include the following Enterprise Zones areas:

- Antelope Valley
- Arvin
- Barstow
- Calexico
- Coachella Valley
- Compton
- Delano
- Eureka
- Fresno
- Fresno County
- Imperial Valley
- Kings County
- Lindsay
- Long Beach
- Los Angeles
- Madera
- Merced
- Oakland
- Oroville
- Pasadena
- Richmond
- Sacramento
- Salinas Valley
- San Bernardino Valley
- San Diego
- San Francisco
- San Joaquin Valley
- San Jose
- Santa Ana
- Santa Clarita
- Shafter
- Shasta Metro
- Shasta Valley
- South Gate - Lynwood
- Stanislaus County
- Stockton
- Watsonville
- West Sacramento
- Yuba-Sutter

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Assemblyman John Perez
AB 1139

I respectfully urge you to reconsider this legislation. The Enterprise Zone program is a proven tool for economic growth, bringing business expansion and job creation, reducing blight and poverty and promoting business retention.

For the reasons stated above, we strongly OPPOSE AB 1139.

Sincerely,

CRAIG JOHNSON
President
California Association of Enterprise Zones

cc: Members of the Assembly Jobs, Economic Development and the Economy Committee