

**CITY OF LONG BEACH**

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

October 5, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Hearing Regarding the Adoption of Resolution Authorizing an Enterprise
Zone Hiring Credit Application Fee Increase (Citywide)

DISCUSSION

The Enterprise Zone (EZ) Program was developed by the California Legislature to provide targeted areas with a means to stimulate business growth and attract new companies, jobs and investment. Businesses located within the zone are eligible for State tax incentives that can substantially reduce their cost of doing business. The State of California awarded the City of Long Beach a 15-year EZ designation in January 1992, which has saved local businesses millions of dollars.

Of the five State tax incentives associated with the EZ, the Hiring Credit is one of the most popular. A qualified business may reduce its State income tax by a percentage of wages paid to one or more qualified employees over a five-year period. Before a business can utilize this incentive they must receive an EZ Hiring Credit Voucher issued by the Community Development Department (CDD) for each eligible employee. The CDD reviews EZ Hiring Credit applications and issues the EZ vouchers. This is a time consuming task, and the State provides no funding to administer the program.

On September 16, 2003, the City Council adopted a Resolution authorizing the CDD to collect a \$30 EZ Hiring Credit application fee to help offset the cost of administering the program. To date, the fee has generated approximately \$139,000.

On August 16, 2004, the Governor signed Senate Bill 1097 into law, which authorized the State to collect \$10 for each EZ hiring application it accepts for issuance of an EZ Hiring Tax Credit. The City can collect this fee at the time it accepts an application for issuance of an EZ voucher. The State's \$10 fee would be collected in addition to the \$30 application fee established by the City.

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Beginning on November 1, 2004, the City is mandated to collect the additional \$10 fee for each EZ Hiring Credit application and send the proceeds to the State Department of Housing and Community Development on a monthly basis. The State has indicated that the proceeds from the fee will be used to offset their staff costs associated with the administration of the EZ Program.

This letter was reviewed by Assistant City Attorney Heather Mahood on September 16, 2004, and Budget Management Officer David Wodynski on September 23, 2004.

TIMING CONSIDERATIONS

City Council action is requested on October 5, 2004, to allow the City to begin collecting the State mandated \$10 fee on November 1, 2004.

FISCAL IMPACT

The additional \$10 fee collected for each EZ Hiring Credit application will be passed through to the State Department of Housing and Community Development. The \$30 application fee established by the City will continue to be deposited into the General Fund (GP) in the Department of Community Development (CD).

IT IS RECOMMENDED THAT THE CITY COUNCIL:

- 1) Receive the supporting documentation into the record and conclude the public hearing; and
- 2) Adopt the attached resolution increasing the Enterprise Zone application fee.

Respectfully submitted,



MELANIE S. FALLON
DIRECTOR OF COMMUNITY DEVELOPMENT

APPROVED:



GERALD R. MILLER
CITY MANAGER