

STAFF REPORT

City of Lancaster

| |
|----------|
| CC 21 |
| 10/27/09 |
| MVB |

DATE: October 27, 2009

TO: Mayor Parris and City Council members

FROM: Vern Lawson, Jr. Economic Development/Redevelopment Director

SUBJECT: **Regional partnership with the County of Los Angeles and the City of Palmdale to submit a joint application to obtain a new state Enterprise Zone designation**

Recommendation:

Authorize City staff to work with representatives from the County of Los Angeles and City of Palmdale to prepare and submit a joint application to obtain a new state Enterprise Zone designation and authorize the City Manager or his designee to execute all documents related thereto.

Fiscal Impact:

The Economic Development/Redevelopment Department will allocate \$75,000.00 in FY 2009-10 from the department's tax deeded acquisition fund - account number 950-9601942 to cover the cost for services related to preparing the Enterprise Zone Application. The City of Palmdale and the County of Los Angeles will also be contributing a similar amount towards the total costs associated with the joint application.

Background:

In 1997, the City of Lancaster, in conjunction with the County of Los Angeles and the City of Palmdale, created a regional partnership to apply for a state Enterprise Zone designation. The new Antelope Valley Enterprise Zone (AVEZ) would provide substantial state tax benefits to businesses that were located within the designated zone boundaries. These benefits includes a hiring tax credit of up to \$37,444 per eligible employee, sales and use tax credit and business expense deductions just to name a few. While the program was primarily designed to attract and retain manufacturing businesses, any business located within the zone could potentially take advantage of this program. This program has become a great business recruitment tool for our region and has allowed the city to attract and retain some of Lancaster's largest private sector employers. This includes Bank of America (formerly Countrywide Home Loans), Rite-Aid, Michaels and SYGMA distribution centers. Since the program began, more than 12,000 vouchers have been processed and more than 1,100 businesses have taken advantage of the program.

Under current state legislation, the number of enterprise zones has been capped at forty two (42). The only opportunity for new areas to apply for a designation is when an existing enterprise zone

is set to expire. This has made the competition for an enterprise zone designation extremely competitive. Based on staff research of past successful Enterprise Zone applicants, a regional approach is seen more favorably as opposed to a single jurisdiction applicant. Therefore we see great value in continuing this partnership and applying for a new enterprise zone designation as a region.

Discussions during a previous Mayor's Business Climate Coalition, participants agreed that this designation should be a major priority for the city. In response to the feedback, the city and its regional partners decided to take a proactive step and plan to apply early. An early submittal would assure uninterrupted AVEZ benefits for local businesses and provide one additional opportunity to apply in 2012 when the current designation expires.

The City of Lancaster, County of Los Angeles and the City of Palmdale have all agreed to split the costs associated with preparing the application. The \$75,000 financial commitment to this project would cover the city's portion of the total cost of the project. Due to the competitive nature of the application process, the partnership is committed to hiring firms who are experts in preparing information for enterprise zone applications. This includes hiring a GIS specialist to create zone boundaries and maps, a census tract expert to determine the Targeted Employment Areas (TEA), a marketing firm to assist in the development of a marketing plan and an enterprise zone firm with a long track record of successful enterprise zone applications to assist with the preparation of the final application.

Summary:

The City of Lancaster has a unique opportunity to work with County of Los Angeles and the City of Palmdale to assure long term economic stability for the region. The Antelope Valley Enterprise Zone has been an extremely powerful tool in the city's business recruitment and retention efforts and is one of the last business incentives offered by the State of California. By continuing our regional partnership, the city increases the likelihood of getting a new designation and extending the benefits to local businesses.

VL: lg