

# STAFF REPORT

## City of Lancaster

NB 2
08/24/10
MVB

DATE: August 24, 2010

TO: Mayor Parris and Council Members

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

SUBJECT: **Authorization to Submit a Joint Application With the County of Los Angeles and City of Palmdale to the State of California Department of Housing and Community Development for the designation of the Antelope Valley Enterprise Zone**

---

### **Recommendation:**

Adopt **Resolution No. 10-63**, authorizing the submittal of an application by the City of Lancaster, whereby the City of Palmdale and the County of Los Angeles are co-applicants, to the State of California Department of Housing and Community Development for State Enterprise Zone designation and authorize the City Manager or his designee to execute all documents related thereto.

### **Fiscal Impact:**

The City of Lancaster, County of Los Angeles and the City of Palmdale have split the total costs associated with preparing the application. The City has budgeted \$75,000 in FY 2010-2011 to cover the city's portion of the total costs associated with preparing the 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 currently established Antelope Valley Enterprise Zone (AVEZ) provides substantial state tax benefits to businesses that locate within the designated zone boundaries. These benefits include a hiring tax credit of up to \$37,444 per eligible employee, a 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 can take advantage of this program. The Enterprise Zone program has become and still remains the greatest business attraction tool for our region and allowing 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 application process for an Enterprise Zone designation extremely competitive. Based on staff research of 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.

During discussions in 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 apply early. An early submittal would assure uninterrupted AVEZ benefits for local businesses and provide an additional opportunity, if we do not receive the designation this round, to apply in 2012, when the current designation expires.

The application process also requires an environmental review to be conducted for the designation area. Review of pertinent environmental documents has disclosed no significant adverse impacts resulting from the proposed project. Discussions of potential impacts are included in the attached initial study. The Initial Study prepared for the proposed project was sent to the State Clearinghouse (SCH #2010071055) for public review. The 30-day public review period was from July 22, 2010 to August 20, 2010. Based on this information, staff has determined that a Negative Declaration is warranted. Notice of Intent to prepare a Negative Declaration has been legally advertised.

**Summary:**

The Antelope Valley Enterprise Zone is 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 submitting an application for a new Enterprise Zone designation, we continue our invaluable regional partnership which increases the likelihood of getting the new designation and allows the City to continue offering Enterprise Zone benefits to our local businesses.

VL:lg:ar

**Attachments:**

Resolution No. 10-63

AVEZ Boundary Map – Exhibit A

Initial Study – Exhibit B