



Monterey County State & Federal Forum Economic Development Panel September 23, 2009



California Department of Housing and Community Development
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Legislative Purpose

- “To stimulate business and industrial growth in the depressed areas of the State”
- Establish a program “to help attract business and industry to the state, to help retain and expand existing state business and industry, and to create increased job opportunities for all Californians.”

What is an Enterprise Zone?

- An economically distressed area designated by the State to:
 - Provide incentives to businesses to locate, invest and operate within the area
 - Provide job opportunities to low-income and disadvantaged persons

EZ Benefits/Incentives

- Tax credits for qualified hires
- Net Operating Loss
- Sales tax credits
- Business Expense Deduction
- Net Interest Deduction (Lenders)

EZ Benefits/Incentives

- Tax credits for qualified hires
 - **Qualified hires – 14 categories including:**
 - Economically disadvantaged,
 - Dislocated workers,
 - Veterans,
 - Individuals receiving public assistance.

 - **Must retain job for at least 270 days**

EZ Hiring Credit Incentive

□ Tax Credits

- 50% of 1st year wages
- 40% 2nd year
- 30% 3rd year
- 20% 4th year
- 10% 5th year

- Maximum claim of ~\$37,000 per qualified hire over five year period

Other Enterprise Zone Incentives

- Net Operating Loss:
 - Business losses can carry-over for 15 years
- Sales tax credits:
 - Credit for sales and use tax paid on the first \$1 million of machinery or parts.

Other Enterprise Zone Incentives

- Business Expense Deduction
 - 40% of property costs (personal property, equipment, furnishings) can qualify as a business expense rather than a capital expense.
- Net Interest Deduction (Lenders)
 - Deduction of net interest received from loans made to Zone businesses

How Zones Are Designated

- Zones are competitively designated
 - Distress criteria (poverty, unemployment)
 - Local capacity to carry out an economic development program
- Must provide additional local incentives
- 15 year designation
- May expand by up to 15 percent of the original acreage

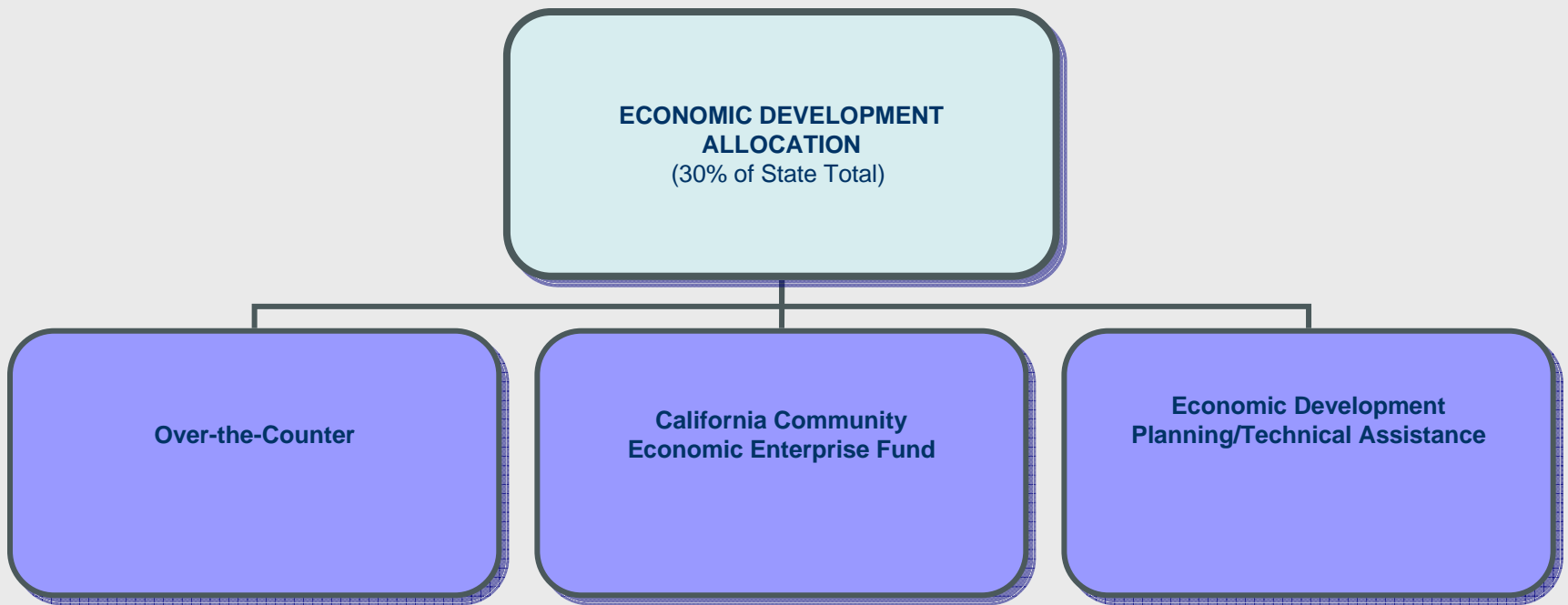
Current Enterprise Zones

- 42 EZs (in over 66 jurisdictions)
- Encompass 33 Senate and 47 Assembly Districts
- Over 100,000 businesses and 15 million Californians reside within zones
- See map next slide

Other Zone Programs Administered by the HCD

- EZ program led to creation of three additional EZ-like Programs:
 - 8 - Local Agency Military Base Recovery Areas (LAMBRAs);
 - 2 - Manufacturing Enhancement Areas; and
 - 1 - Targeted Tax Area program

CDBG – ED ALLOCATION



Over-the-Counter Eligible Activities

- Land Acquisition, Building Construction
- Equipment Purchase
- Inventory, Supplies, or Materials
- Working Capital
- Building Renovation/Restorations, Leasehold Improvements
- Infrastructure – Road, Water, Sewer

Over the Counter (OTC) NOFA

- Available Funding for Eligible Activities
- Funding
 - NOFA typically released in July
 - Applications are received on a continuous basis
 - Projects up to \$2.5MM per year - \$5MM maximum
- Activities
 - Business Assistance
 - Off-site Infrastructure in support of business or development

State CDBG staff recommends applications to the ED Loan Advisory Committee, which makes recommendations to the Director for approval

Enterprise Fund Business Assistance

Eligible Activities:

- **Equipment Purchase**
- **Inventory, Supplies, or Materials**
- **Working Capital**
- **Business Start-Up**
- **Building Renovation/Restorations, Leasehold Improvements**
- **Infrastructure Improvements, Road, Water, and Sewer**

Enterprise Fund NOFA

- Loan Pool Funds for smaller projects:
 - Business assistance
 - Loans for start ups or existing business
 - Loans pay for FF&E, working capital, etc.
 - Micro Enterprise Assistance
 - Loans
 - Technical Assistance
 - Supportive Services

ED - Planning and Technical Assistance

Eligible Activities:

- Business Development feasibility studies
- Business attraction and retention plans
- Infrastructure needs assessments
- Marketing studies
- Technical assistance for specific businesses
- Environmental studies

Planning and Technical Assistance (PTA) NOFA

- Eligible study activities:
 - Project Feasibility Study
 - Preparation of Funding Application(s)
 - Project Environmental Review
 - Preliminary & Final Engineering and Architectural Design
 - Business Infrastructure Study
- Maximum of \$70,000 for ED - NOFA released in July.
- ED PTA funds can be used for OTC application preparation and NEPA.

Example of Infrastructure in Support of Economic Development Project



Water, Sewer and Street Improvements for New Ford Dealership in Chowchilla.

CDBG Economic Development Program Funds Microenterprise Businesses in Tulare County

Gonzalez Meat Market in Ivanhoe is an example of a small business serving a need in rural areas.



Grand Opening of *Delia's Alterations* in downtown Dinuba



Photos courtesy of Tulare County Community Development



For More Information

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