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**California Department of Housing and Community
Development
Announces Five New Enterprise Zones to Boost California's
Economy**

Sacramento – Helping to grow jobs and improve California's business climate, the California Department of Housing and Community Development today announced the conditional designation for five Enterprise Zones statewide. The zones are Hesperia, Tulare, Pittsburg, Sacramento and Taft.

"California Enterprise Zones give communities a chance to develop their economic potential, improve their quality of life and contribute to the state's economy. Enterprise Zones are part of the Administration's ongoing efforts to increase the number of jobs through state and local incentives," said HCD Director Lynn L. Jacobs.

The California Enterprise Zone Program targets economically distressed areas using special state and local incentives to promote business investment and job creation. By encouraging entrepreneurship and employer growth, the program strives to create and sustain economic expansion in California communities.

"I am very familiar with the advantages of enterprise zones since I became a Pittsburg City Councilman," said Federal Glover, County supervisor for District V which includes Bay Point and Pittsburg. "So, when the idea came up of expanding the present Pittsburg enterprise zone to include Bay Point, I immediately saw the opportunities it would provide for Bay Point residents."

Bay Point has a population of 23,000, the largest unincorporated community in Contra Costa, with a poverty rate of about 20 percent.

"This action will provide economic incentives for businesses to locate in Bay Point and help provide jobs for Bay Point's residents," said Glover. "It also allows Pittsburg retain the program for its residents and businesses."

"It shows how the county and a municipality can both have a win-win situation if they work cooperatively with each other," said the supervisor.

The new designations will take the place of the zones set out in statute which expired or will expire in 2009. Each zone designation is in effect for 15 years.

Businesses within Enterprise Zones are eligible for substantial tax credits and benefits, for example:

- Firms can earn \$37,440 or more in state tax credits for each qualified employee hired.
- Corporations can earn sales tax credits on purchases of \$20 million per year of qualified machinery and machinery parts.
- Up-front expensing of certain depreciable property.
- Lenders to Zone businesses may receive a net interest deduction.
- Unused tax credits can be applied to future tax years, stretching out the benefit of the initial investment.
- Enterprise Zone companies can earn preference points on state contracts.
- Up to 100% Net Operating Loss (NOL) carry-forward. NOL may be carried forward 15 years.

In 2006, HCD commissioned a report that evaluated the success of Enterprise Zones in spurring economic recovery. The report shows that, on average, within Enterprise Zones between 1990 -2000:

- Poverty rates declined 7.35 percent more than the rest of the state.
- Unemployment rates declined 1.2 percent more than the rest of the state.
- Household incomes increased 7.1 percent more than the rest of the state.
- Wage and salary income increased 3.5 percent more than the rest of the state.

The next step in the designation process will be the HCD issuance of a conditional designation letter to each of the new zones. The letters will outline conditions which must be met to be granted final designation. Examples of conditions include a signed memorandum of understanding with HCD, which includes performance measures and benchmarks.

In 2006, the legislature passed AB 1550 which authorized improvements to the Enterprise Zone program by emphasizing economic development, outreach, marketing and accountability. Provisions of the law include additional reporting

by both the local enterprise zone and the Department on a biennial basis and an expansion of HCD's audit authority to cover all economic development areas.

The EZ program is one of California's largest and most successful economic development tools. HCD is committed to continuously improving the application process for future designation rounds so that more businesses and communities will be able to take advantage of its incentives. The next designation round will be in 2010 and HCD will be exploring changes to the application process that will ensure the greatest economic benefit for eligible California communities and businesses.

HCD provides leadership, policies and programs to preserve and expand safe and affordable housing opportunities and promote strong communities for all Californians. The Department also supports economic development programs throughout the state. As the lead housing department, HCD is part of the state Business, Transportation and Housing Agency. For more information on the Enterprise Zone Program, visit <http://www.hcd.ca.gov/fa/cdbq/ez>.