



CITY COUNCIL STAFF REPORT

DATE: March 16, 2011 CONSENT

SUBJECT: OPPOSING THE GOVERNOR'S FISCAL YEAR 2011-2012 PROPOSAL TO ELIMINATE ENTERPRISE ZONES IN CALIFORNIA.

FROM: David H. Ready, City Manager

BY: Community & Economic Development

SUMMARY

Governor Jerry Brown's FY 2011-2012 budget proposes the elimination of Enterprise Zones and Redevelopment Agencies throughout the State of California to close a State budget deficit. If approved, all Enterprise Zones and Redevelopment Agencies will be eliminated. The Council has already approved a resolution opposing the elimination of Redevelopment Agencies. This proposed resolution is in support of the Enterprise Zone program and opposes the Governor's proposal. Cities across the state are adopting similar resolutions. Palm Springs has an interest in this because it is part of an ongoing effort by the three west valley cities to create an Enterprise Zone here.

RECOMMENDATION:

1. Adopt Resolution No. _____ A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS OPPOSING THE GOVERNOR'S FISCAL YEAR 2011-2012 PROPOSAL TO ELIMINATE ENTERPRISE ZONES IN CALIFORNIA.

STAFF ANALYSIS:


On January 10, 2011, Governor Jerry Brown unveiled the State's FY 2011 – 2012 Budget Proposal which outlined several initiatives to close the State's nearly \$25 billion budget deficit. The most controversial initiative proposes the elimination of Redevelopment Agencies and Enterprise Zones throughout California. According to the California Association of Enterprise Zones, "research has shown that enterprise zones help reduce poverty rates, lower unemployment rates, provide higher wages, increase household income levels and foster greater community investment through private sector businesses. Jobs in turn create revenue for the state."

The Coachella Valley Enterprise Zone Authority (CVEZA) is a regional economic development organization that retains businesses, attracts new businesses, and helps create jobs beneficial to the entire Coachella Valley. Recently, the Cities of Desert Hot Springs, Cathedral City and Palm Springs applied for an Enterprise Zone designation.

Unfortunately, the application was not successful and it has not been determined whether the three cities would reapply in the next cycle. However, there may be potential for the western and eastern valley cities and county to strategize on a plan to submit a new application to the State that would retain the current CVEZA designation, but would also include the jurisdictions of Palm Springs, Desert Hot Springs and Cathedral City.

FISCAL IMPACT:

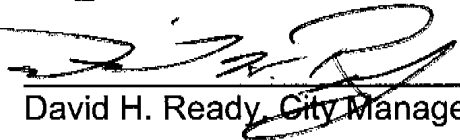
Adoption of the Resolution has no fiscal impact to the City of Palm Springs; however, if the State's budget proposal passes, the current Enterprise Zones in the State, including the Coachella Valley Enterprise Zone Authority, will lose one of its substantial economic tools for job creation.



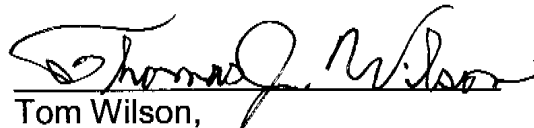
John Raymond, Director
Community & Economic Development



Cathy Van Horn, Administrator
Community & Economic Development



David H. Ready, City Manager



Tom Wilson,
Assistant City Manager

Attachments: Resolution

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
PALM SPRINGS OPPOSING THE GOVERNORS FISCAL
YEAR 2011-2012 PROPOSAL TO ELIMINATE
ENTERPRISE ZONES IN CALIFORNIA.

WHEREAS, the origins of California's Enterprise Zone came through enactment of two separate programs in 1984 – the Enterprise Zone Act and the Employment and Economic Incentive Act; and

WHEREAS, the Enterprise Zone provides a geographically-targeted economic development tool for poor and blighted communities by creating incentives for businesses to hire new employees and purchase equipment for their businesses; and

WHEREAS, on November 11th, 2006, the Coachella Valley Enterprise Zone Authority received its renewed designation as an Enterprise Zone from the California Department of Housing and Community Development; and

WHEREAS, the cities and communities of the Coachella Valley experience high normal and seasonal unemployment each year; and

WHEREAS, the economic crisis has exacerbated this situation, resulting in unemployment rates exceeding 20% in some cities and communities within the Coachella Valley; and

WHEREAS, these high unemployment rates serve to increase poverty, crime, and foreclosures of homes, and lead to the disruption of public services to those in the community most in need of assistance; and

WHEREAS, the Coachella Valley Enterprise Zone Authority has worked to combat these social problems by using the Enterprise Zone's incentives to encourage new businesses to locate within the Enterprise Zone and existing businesses to expand their operations; and

WHEREAS, the Coachella Valley Enterprise Zone has worked with local organizations and programs, including the Riverside County Economic Development Agency, the Riverside County Workforce Development Center, the Coachella Valley Economic Partnership and the Economic Development Departments of the valley's municipal jurisdictions in an effort to encourage businesses to hire the most at-risk individuals; and

WHEREAS, the Coachella Valley Enterprise Zone has issued a total of 2,053 Hiring Credit Vouchers, with 473 being for New Positions to 169 local businesses in 2010; and

WHEREAS, the Enterprise Zone has served to attract additional businesses, including manufacturers to the Coachella Valley, and has helped many others stay in

business or expand their operations; and

WHEREAS, companies moving to or remaining in the Coachella Valley have stated specifically that the Enterprise Zone was a key component in their decisions to locate or remain within the Coachella Valley and California; and

WHEREAS, the City of Palm Springs within the Coachella Valley acknowledges that the attraction of new businesses and the retention and expansion of existing businesses is the most effective way of guaranteeing the long-term well-being of the cities and communities of the Coachella Valley.

THE CITY COUNCIL OF THE CITY OF PALM SPRINGS DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The City of Palm Springs recognizes that the Enterprise Zone Program is one of the most valuable state incentives to create new jobs, grow existing businesses, and compete with other states to attract outside investment to California; and

SECTION 2. The City of Palm Springs believes that the Enterprise Zone Program has had a significant positive effect on business activity and economic growth in the Coachella Valley; and

SECTION 3. The City of Palm Springs believes that eliminating the most critical business assistance program in the state would be a huge setback to improving California's business climate and its struggles to reach an economic recovery, and is opposed to the State of California's attempt to eliminate the Enterprise Zone program.

ADOPTED THIS 16tTH DAY OF MARCH, 2011

David H. Ready, City Manager

ATTEST:

James Thompson, City Clerk

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF PALM SPRINGS)

I, JAMES THOMPSON, City Clerk of the City of Palm Springs, hereby certify that Resolution No. _____ is a full, true and correct copy, and was duly adopted at a regular meeting of the City Council of the City of Palm Springs on _____, by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

James Thompson, City Clerk
City of Palm Springs, California