

TRANSMITTAL

To:

THE COUNCIL

Date:

AUG 01 2013

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

 (Ana Guerrero)

ERIC GARCETTI
Mayor

CITY OF LOS ANGELES

CALIFORNIA

JAN PERRY
INTERIM GENERAL MANAGER



ERIC GARCETTI
MAYOR

ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT

1200 W. 7TH STREET
LOS ANGELES, CA 90017

Council File: New
Council District: All
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July 22, 2013

Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall

Attention: Mandy Morales, Legislative Coordinator

COMMITTEE TRANSMITTAL: REQUEST TO APPROVE RESOLUTION ESTABLISHING NEW BOUNDARIES FOR THE LOS ANGELES TARGETED EMPLOYMENT AREA

RECOMMENDATIONS

The Interim General Manager, Economic and Workforce Development Department (EWDD), respectfully requests that the Mayor and City Council approve the attached resolution establishing new boundaries for the Los Angeles Targeted Employment Area (TEA), in accordance with State regulations which require the TEA to be updated after new U.S. Census data becomes available.

FISCAL IMPACT

There is no adverse impact to the General Fund. The new TEA will establish the boundaries to help determine State Enterprise Zone (SEZ) eligibility for City residents.

BACKGROUND

The City of Los Angeles Economic and Workforce Development Department administers three SEZs within the boundaries of the City: the Los Angeles-Hollywood Zone, the East Los Angeles Zone, and the Harbor Gateway Communities Zone.

The SEZs are intended to revitalize economically challenged and under-served communities in the City by enhancing business attraction, retention, expansion and job creation.

The SEZs incentives include:

- Provision of tax credits to employers for hiring new qualified employees. Qualified employees are; employees that are residents of a primarily low-moderate income census tract known as a Targeted Employment Area, or a member of one of the following hard-to-serve groups: (a) recipients of services under the Workforce Investment Act (WIA) or CalWorks; (b) ex-offenders; (c) economically disadvantaged persons 14-years of age or older; (d) dislocated workers; (e) disabled persons enrolled in a vocational rehabilitation program; (f) veterans; (g) persons receiving Supplemental Security Income (SSI), Food Stamps, or Temporary Assistance to Needy Families (TANF); (h) members of a Federally recognized Indian tribe; or (i) persons certified under the Work Opportunity Tax Credit (WOTC) program;
- Increased business expense deductions for tax purposes;
- Sales and use tax credits; and
- City incentives that augment the State program: (a) Department of Water and Power (DWP) provision of electric rate reduction for new businesses within the SEZs; (b) Department of Building & Safety (LADBS) provision of site plan review for new businesses, or expansions, at no charge; and (c) LADBS together with the City Planning Department provision of reduced parking requirements for businesses within the SEZs.

The SEZ incentive package reduces operating costs of businesses, specifically payroll costs, and frees up capital for additional new local hires and investments in machinery and equipment.

Businesses within SEZs may qualify for the hiring tax credit incentives if they:

- Hire qualified employees; and
- Are profitable and subject to income tax obligations to the State of California in the year when the hiring tax credit is claimed.

Currently, if in any tax-year a business is not profitable for income tax purposes, State tax laws provide that such businesses may claim the hiring tax credits in the subsequent tax-years, i.e., when they do have income tax obligations to the State. Moreover, currently, businesses may for any discretionary reason(s) choose to postpone their claim for hiring tax credits, and instead choose to apply and receive the certificates and related tax credits in subsequent years.

Businesses within SEZs, by applying and receiving the hiring tax credits, reduce their State income tax obligations by up to \$37,440 per qualified employee over a five-year period.

For businesses to receive the hiring tax credit, the State requires a certified voucher to be issued by a pre-certified agency. In the City of Los Angeles, with respect to City based SEZs, CDD's Voucher Processing Unit (VPU) is the designated certified local agency.

The VPU reviews all voucher applications and their supporting documentation. Upon approving applications, the VPU issues a certified voucher (TCA EZ 1) to the business which is attached to their tax returns for submittal to the State Franchise Tax Board (FTB). The businesses and the VPU are required to retain records of the certified vouchers in the event of an audit by the FTB.

CURRENT STATUS OF THE SEZ PROGRAM

On July 3, 2013, Governor Brown signed into law AB 93 which approved various changes regarding the current State Enterprise Zones (SEZ) program that will adversely impact many of the jurisdictions that currently oversee SEZs in their local areas. These changes will take effect January 1, 2014, however, the current legislation that governs the SEZs is still in effect and we

are required to comply with its requirements. One such requirement is to update our Targeted Employment Area (TEA) boundaries every time the US Census releases its most recent update.

Attached is a comparison of the highlights of AB 93 that will have a direct adverse impact in our three SEZs (LA-Hollywood Zone, East LA Zone and Harbor Gateways Communities Zone) and the current SEZ program.

TARGETED EMPLOYMENT AREA (TEA) RESOLUTION

The State Hiring Tax Credit is the most valuable and most often utilized incentive for businesses in the SEZ. The credit is worth up to \$37,440 per qualified employee over a five-year period. Employees may be eligible for the credit if they are in one or several categories of hard to hire persons including, but not limited to, ex-offenders, dislocated workers, disabled, Vietnam era or recently separated military veterans, persons receiving public assistance, and economically disadvantaged youth.

However, the most frequently used eligibility criterion is that of persons residing in the Targeted Employment Area of the City. The TEA consists of census tracts in which 51 percent or more of the residents are considered to be low to moderate income. Such residents, if hired by an employer in the SEZ, are automatically eligible for the hiring tax credit.

California Government Code Section 7072 requires that SEZ jurisdictions revise and update their TEA area within 180 days of date that new U.S. Census data becomes available. The 2010 U.S. Census data became available in late 2012. The California State Housing and Community Development Department, in their Management Memorandum 12-03, has requested that all SEZ jurisdictions update their TEAs by July 18, 2013. The 2010 Census tracts listed on the attached Resolution include all tracts within the City that are 51 percent or higher low to moderate income. The City of Los Angeles TEA will not require another update until after the 2020 Census has been completed and the results published.



JAN PERRY
Interim General Manager

JP:RS:MAA

- Attachment A: List of LA City APN Addresses
- Attachment B: List of LA City TEA eligible census tracts
- Attachment C: Resolution for establishing new TEA boundaries
- Attachment D: AB 93 Highlights

**RESOLUTION OF THE CITY COUNCIL OF LOS ANGELES AUTHORIZING
SUBMISSION OF A TARGETED EMPLOYMENT AREA APPLICATION TO
THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY
DEVELOPMENT AND APPROVING THE BOUNDARIES OF THE LOS
ANGELES-HOLLYWOOD AND EAST LOS ANGELES ENTERPRISE ZONES
TARGETED EMPLOYMENT AREA**

WHEREAS, the State of California Department of Housing and Community Development oversees an Enterprise Zone Program, the goal of which is to stimulate growth in economically depressed areas of the State; and

WHEREAS, the City of Los Angeles (City) and the County of Los Angeles (County) jointly applied for and effective January 11, 2008 were awarded a 15-year Conditional Enterprise Zone Designation for the East Los Angeles Enterprise Zone; and

WHEREAS, the City applied for and effective October 15, 2006 was awarded a 15-year Conditional Enterprise Zone Designation for the Los Angeles-Hollywood Enterprise Zone; and

WHEREAS, the Community Development Commission of the County of Los Angeles (Commission) administers the unincorporated portion of the East Los Angeles Enterprise Zone on behalf of the County; and

WHEREAS, the Economic and Workforce Development Department of the City of Los Angeles (EWDD) administers the Los Angeles-Hollywood Enterprise Zone and the City of Los Angeles incorporated portion of the East Los Angeles Enterprise Zones on behalf of the City; and

WHEREAS, Section 7072(i) of the Government Code allows for the designation of Targeted Employment Areas (TEA) to encourage businesses in an Enterprise Zone to hire eligible residents from census tracts that have at least 51 percent of its residents with low or moderate-income levels; and

WHEREAS, Section 7072 4(A) of the Government Code requires that within 180 days of updated United States census data becoming available, each local governmental entity of each city, county, or city and county that has jurisdiction of an Enterprise Zone shall approve, by resolution or ordinance, boundaries of its TEA reflecting the new census data; and

WHEREAS, the City of Los Angeles residents residing within a designated TEA can benefit from a TEA designation.

NOW, THEREFORE, BE IT RESOLVED that the City Council:

1. **FINDS** the above recitals are true and correct.
2. **HEREBY** approves and adopts the boundary of the proposed TEAs as identified by the table of Census Tracts attached herewith as Attachment B.
3. **FINDS** that the application areas satisfy the requirements set forth in Section 7072(i) and 4(A) of the Government Code and that designation of the application areas as a TEA is necessary in order to encourage businesses in the Enterprise Zone to hire eligible residents from these geographic areas.
4. **HEREBY** directs the Interim General Manager of the Economic and Workforce Development Department, or her designee, to execute and submit the required documentation to the California Department of Housing and Community Development and to execute other documents necessary for the implementation of the TEAs.

The foregoing Resolution was on this _____ day of _____, 2013
adopted by the City Council of Los Angeles.

ATTEST

**CITY COUNCIL OF LOS
ANGELES**

June Lagmay
City Clerk

By _____
President, City Council

APPROVED AS TO FORM:
Mike Feuer
City Attorney

By _____
Deputy