



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: November 5, 2008 REPORT NO: 08-161
ATTENTION: Council President and City Council
Agenda of November 10, 2008
SUBJECT: San Diego Regional Enterprise Zone Application
REFERENCE:

REQUESTED ACTION:

Authorize Staff to submit required documents to the State Housing and Community Development Dept. requesting modification of the boundaries of the San Diego Regional Enterprise Zone application area prior to final designation.

STAFF RECOMMENDATION: Approve action as requested.

SUMMARY:

BACKGROUND

The City of San Diego previously received approval for two Enterprise Zone ("EZ") designations, the Metro EZ (1986) and the South Bay EZ (1992). The Metro Enterprise Zone expired on October 14, 2006, and the South Bay Enterprise Zone expired on January 27, 2007. On August 15, 2006, the City Council approved a resolution (R-301845) authorizing submission of an application to the California Housing and Community Development Department (HCD) for a regional EZ designation, the San Diego Regional Enterprise Zone (SDREZ), for the cities of San Diego, Chula Vista and National City ("SDREZ Partners"). The process for EZ designation is competitive and based on economic need (distressed communities, lack of private investment, job creation needs, high unemployment, and/or poverty) and must include realistic and ambitious EZ program marketing and job development strategies and a solid implementation plan. Council certified the Final Environmental Impact Report, No. 134663, and approved a resolution (R-304082, adopted September 10, 2008) authorizing staff to submit documentation to establish a targeted employment area (TEA) to the State Housing and Community Development Dept. (HCD).

DISCUSSION

The legislative intent of EZ program under the Enterprise Zone Act (Cal. Gov't Code section 7070 et seq.) is to "stimulate business and industrial growth in the depressed areas of the State...". Cal. Gov't Code § 7071. The other purposes are to 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". *Id.* Essentially, EZ's are competitively designated based upon distress criteria (primarily poverty and unemployment levels) and the local government's capacity to carry out economic development programs. Local jurisdictions must provide additional local incentives throughout the 15-year designation, i.e. permit expediting, fee waivers and/or reductions.

Businesses located within the SDREZ may receive individual or corporate state tax incentives/credits to reduce a company's state tax liability dollar per dollar. Any unused tax credits may be carried forward to reduce future tax year's liabilities. Earlier this month the Governor signed AB 1452 and SBX1 28. Both of these bills will have an impact on businesses state-wide including EZ businesses. The bills combined temporarily suspend the Net Operating Loss provision, includes a 50% credit usage limitation and allows for the transfer of unused tax credits but limited to tax generated in the same zone. Staff is working with HCD, the Franchise Tax Board, and the California Association of Enterprise Zones to determine the impacts of these to Senate and Assembly Bills to SDREZ businesses.

The purpose of the Targeted Employment Area ("TEA") is to encourage businesses in an EZ to hire eligible residents from these geographic areas. The business incentive is the availability of a tax credit for hiring residents who reside in a TEA. Attachment C identifies the TEA boundaries for the SDREZ approved by Council on September 8, 2008 (R-304080).

In order to meet the economic challenges and changes of local EZ jurisdictions from the time an application is submitted and final designation is awarded as well as through the fifteen year designation of the zone, there are two mechanisms available to make changes to zone boundaries. The first method is via a one-time boundary modification and the second is through an expansion. The Action before the Council is to authorize staff to submit a request to HCD for a boundary modification to the SDREZ application area approved by the governing bodies of the SDREZ Partners in August 2006.

Boundary Modification

Prior to obtaining final designation of a conditional EZ designation, HCD will accept one boundary modification request per zone to areas if those areas meet certain conditions. This allows zones to modify conditionally approved application areas and include new areas not in the original application. Boundary modifications that comply with the following circumstances may be administratively approved by HCD:

- 1) An area was previously in an expired EZ and the benefits of the program are still needed in order to complete revitalization efforts; or
- 2) The census tract /blocks comply with HCD's eligibility criteria for designation; and

- 3) The area does not exceed 5% of the EZ application area; and
- 4) Areas for consideration must be contiguous; and
- 5) Areas meet the City's stated EZ strategic plan as submitted in the original application; and
- 6) The boundary modification is approved by resolution by the jurisdictions' governing bodies.

The designation date for boundary modification is the same as the conditionally approved EZ. Therefore, businesses may take advantage of EZ incentives retroactive to the date of designation. For the SDREZ the designation date is October 15, 2006.

At the City Council hearing on September 8, 2008, Council directed staff to do an analysis of specific areas to determine qualification for EZ status per the aforementioned conditions for a one-time boundary modification and requested that the City submit a boundary modification request if additional areas qualified for inclusion in the boundary modification. Per City Council direction as well as input from various stakeholders, staff has identified several areas complying with HCD's boundary modification requirements. These areas are identified in Attachment A. Attachment B provides information on eligibility and acreage for each area. Resolutions from the SDREZ's municipal partners must also be obtained and included in the request to HCD for the boundary modification.

Zone Expansion

Zone expansions are permissible per California Government Code Section 7074. Expansions can be requested at any time during the fifteen year designation but not until after final EZ designation is received. Zone expansions are based on the following criteria:

- 1) Each of the adjacent jurisdictions' governing bodies approves the expansion by adoption of an ordinance or resolution; and
- 2) Land included within the proposed expansion is zoned for industrial or commercial use; and
- 3) Basic infrastructure, including, but not limited to gas, water, electrical service, and sewer systems, is available to the area that would be included in the expansion; and
- 4) The expansion does not exceed the permitted 15 percent of its size on the date of original designation; and
- 5) The proposed expansion is contiguous however a noncontiguous area may be acceptable if HCD finds that:
 - a. The noncontiguous area is needed to implement the EZ's economic development strategy; and
 - b. The excluded areas between the proposed new boundaries would not, based on the EZ's economic development strategy, also benefit from the expansion.

In contrast to the one-time boundary modification, expansions are not retroactive to the effective date of the zone but are effective the date HCD approves the expansion request.

EZ Benefits for Areas Not Within the Designated EZ Boundaries

- 1) Employees, regardless of residency, employed by an EZ company may qualify for the EZ Personal Income Tax Credit depending on household income.
- 2) EZ companies can apply for an EZ Hiring Credit Voucher for each employee residing in the Targeted Employment Areas (TEA). Council authorized staff (R-304082) to submit documentation to establish a new TEA encompassing census tracts with a population of at least 51% earning less than the county's median wage. The boundaries of the TEA must be revised within 180 days of updated U.S. census data becoming available to reflect the new census data.
- 3) Properties zoned commercial or industrial meeting the City's stated EZ strategic plan as submitted in the original application and meeting other criteria cited above may be included through the EZ expansion process at anytime during the 15 year designation.

CONCLUSION

The official designation of the SDREZ by the State HCD will allow a significant economic and employment incentive program to continue in the cities of San Diego, Chula Vista and National City. The SDREZ offers a special opportunity to the region to continue to implement economic development and job creation program incentives in areas with significantly high levels of low and moderate income residents. Because San Diego's economy is regional in nature, continuing the collaborative relations with other local cities and the state to offer business incentives increases the San Diego region's ability to compete with other regions, create new jobs and increase investment in our county. Modifying the SDREZ boundaries to include areas previously in the expired EZ gives San Diego a medium to continue to be competitive with other major metropolitan areas in the state by offering business incentives to assist existing employers and attract new ones to the region.

The next step in this process is for the municipal "SDREZ Partners" to approve by resolution the boundary modification as shown in Attachment A. Upon receiving the three city resolutions, staff will submit the request and documentation to HCD for approval.

Additionally, the SDREZ Partnership has begun the process to identify commercial and industrial properties to seek an expansion of the SDREZ within six months of obtaining final designation status. Once the expansion areas are identified, the SDREZ Partnership shall seek approval by adoption of an ordinance or resolution from its respective governing bodies.

FISCAL CONSIDERATIONS:

There will be ongoing staff time required to administer the SDREZ during the designation period. However, this action has no additional administrative or fiscal impact to the existing SDREZ program.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

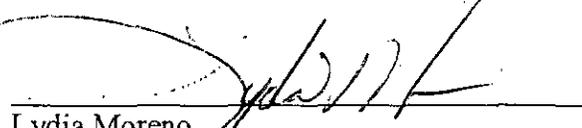
On August 8, 2006, City Council authorized the Mayor or his designee to execute and submit the required documentation to HCD for review and approval of a new EZ designation via resolution R-301845. City Council certified the Environmental Impact Report (EIR), No. 134663, and authorized the Mayor to submit documents to establish a Targeted Employment Area (TEA) on September 8, 2008 via resolution R-304082, adopted September 10, 2008.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

See Report to City Council #06-112.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

There are no key stakeholders. Projected impacts for the SDREZ are new private investments and the creation and retention of jobs in the San Diego region.



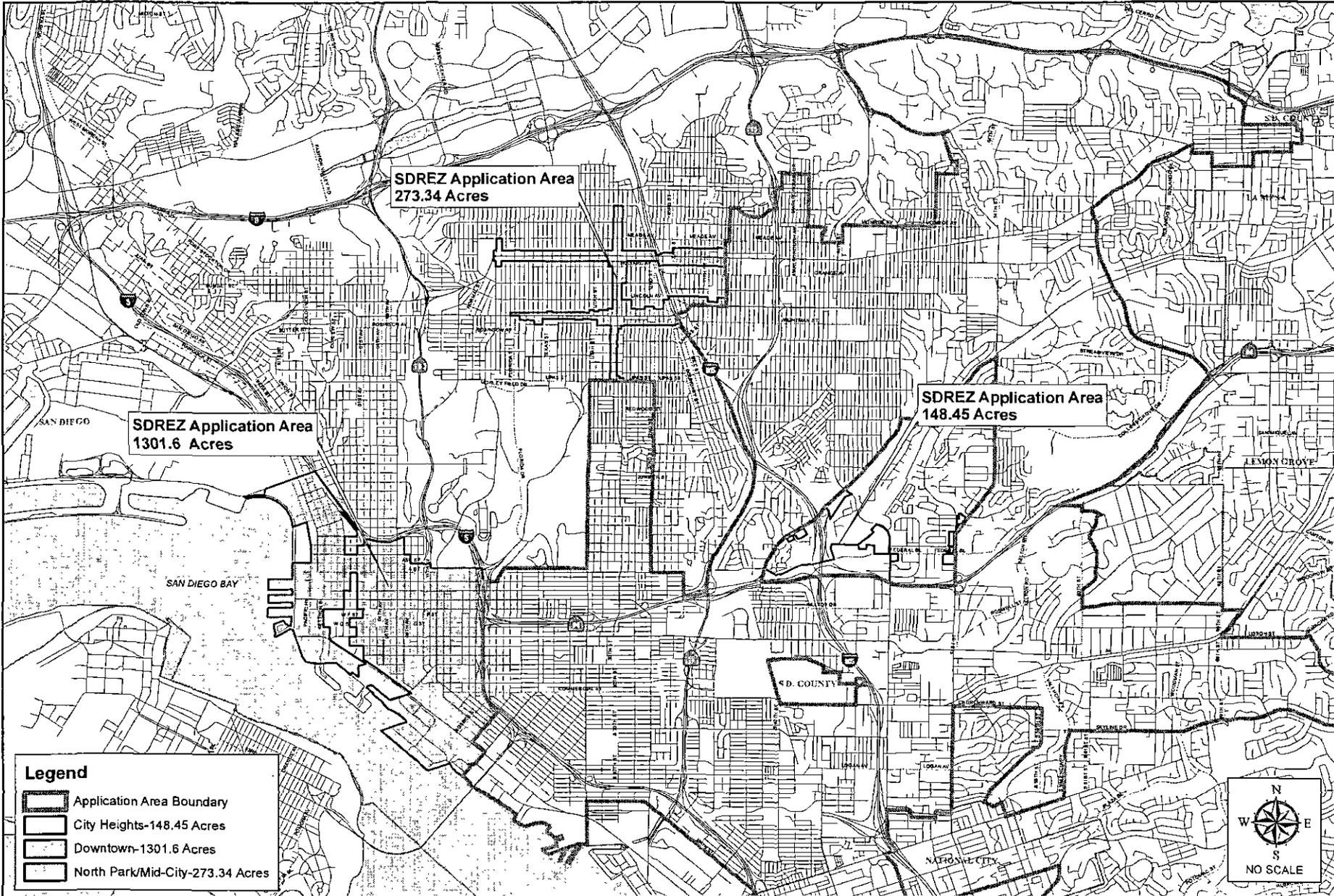
Lydia Moreno
Originating Department



William Anderson, FAICP
DCOO: Executive Director of
City Planning and Development

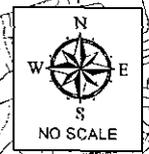
ATTACHMENTS:

- | | |
|--------------|------------------------------------|
| Attachment A | SDREZ Boundary Modification Map |
| Attachment B | SDREZ Boundary Modification – Data |
| Attachment C | Targeted Employment Area (TEA) Map |



Legend

-  Application Area Boundary
-  City Heights-148.45 Acres
-  Downtown-1301.6 Acres
-  North Park/Mid-City-273.34 Acres



SDREZ Boundary Modification

CITY OF SAN DIEGO • CITY PLANNING & COMMUNITY INVESTMENT

Map Document: C:\SDREZ\GIS\sdreznorthpark_midcity_southpark.aprx
 10/20/2008 - 7:44:48 AM

SDGIS

THIS MAP IS PROVIDED WITHOUT WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. Copyright SDGIS, All Rights Reserved.

This product was created using data from the SDGIS GIS and Information System which is used by the City of San Diego. The product may contain information that is not intended for public use. The product may contain information that is not intended for public use. The product may contain information that is not intended for public use.

San Diego Regional Enterprise Zone Boundary Modification

Downtown Area Modification			
	Area	Acres	
	51.00	401.18	*
	52.00	181.12	**
	53.01	49.05	**
	53.02	49.33	**
	Portions of 54, 56 & 58	620.92	**
Depicted in Pink On Attachment A		1301.6	
Mid-City Area Modification			
	Area	Acres	
Depicted in Blue On Attachment A	Mid-City & North Park Areas	273.34	***
City Heights Area Modification			
	Area	Acres	
Depicted in Green On Attachment A	City Heights	148.45	**
Total Boundary Modification Acreage		1723.39	

*Previously in the expired Metro Enterprise Zone

**Portion of census tract/block or street was in the Metro Enterprise Zone

***Eligible Area



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: August 2, 2006 REPORT NO: 06-112
ATTENTION: Council President and City Council
Docket of August 8, 2006
SUBJECT: State Regional Enterprise Zone Application
REFERENCE:

REQUESTED ACTION:

1. Adopt a resolution supporting and authorizing the application and proposed first-year budget for a regional enterprise zone.
2. Authorize staff to prepare all required documents and submit an application for a regional enterprise zone to the California Department of Housing and Community Development.
3. Authorize staff to execute a Memorandum of Understanding with the cities of Chula Vista and National City for the administration of a regional enterprise zone, delineating and allocating financial, staffing, reporting, and all other responsibilities.

STAFF RECOMMENDATION: Approve actions as requested

SUMMARY:

BACKGROUND

In 1986 and 1992 the City of San Diego received approval for two enterprise zone designations, the Metro Enterprise Zone (1986) and the South Bay Enterprise Zone (1992). In 2000 and again in 2004, the South Bay Enterprise Zone was expanded to include properties along the Bayfront redevelopment areas of the cities of Chula Vista and National City. In turn, the cities of Chula Vista and National City, in collaboration with the Port of San Diego, provided funding to the City of San Diego to support the cost of managing the program and to enhance a marketing campaign for the zone. Because San Diego's economy is regional in nature, collaborating with other local cities and the state to expand business incentives increases San Diego's ability to compete with other regions, create new jobs, and increase investment in our county. The California State Enterprise Zone Program [Enterprise Zone Program] offers tremendous business incentives and helps the region assist and attract employers. These two existing enterprise zones are due to expire shortly. The Metro Enterprise Zone will expire on October 14, 2006, and the South Bay Enterprise Zone will expire on January 27, 2007.

DISCUSSION

The Economic Development Division staff in collaboration with the cities of Chula Vista and National City is engaged in the task of completing an application for designation for a multi-jurisdictional or regional enterprise zone (EZ) due to be filed with the California Department of Housing and Community Development (HCD) no later than September 6, 2006. HCD has a Request for Proposals (RFP) for new applications by local governments to be designated as Enterprise Zones (EZs). HCD has done so because twenty-three EZs expire in 2006-2007.

An "enterprise zone" is a geographical area in which companies are eligible for exclusive state incentives and programs including: tax credits for hiring qualified employees; interest deductions for lenders on loans to firms within the areas; fifteen-year net operating loss carry-forward; accelerated expense deduction; and priority for various state programs, such as state contracts. The express legislative purposes of the Enterprise Zone Program are as follows: to stimulate business and industrial growth in economically distressed areas of the state; help attract business into the state; help retain business and expand business and industry; and create increased job opportunities for all Californians.

The Enterprise Zone Program is a long-term (15 year) partnership between local governments and private companies to generate new private sector investment and growth with the state providing performance-based tax credits and incentives to enterprise zone businesses to: (1) promote "smart growth" by revitalizing chronically deteriorated areas; (2) hire the most difficult-to-hire residents in private sector jobs; and (3) retain, expand, and reward businesses that participate in these objectives. State law currently authorizes forty-two enterprise zones in California. In addition, the law allows existing zones to expand up to 15% in geographic size.

The local agency's primary responsibility is the administration of the enterprise zone which includes the following: funding and staffing as no state funds are provided to the community to operate this program; maintaining a substantial and sustained level of targeted economic revitalization and development resources for the life of the zone to ensure the success and accountability of the Enterprise Zone Program; and submitting annual reports to the HCD providing, among other items, a self-evaluation of its progress in addressing its stated goals. The types of incentives local jurisdictions provide may include, but are not limited to, the following: assistance in targeted employee training, recruitment, hiring, and vouchering; expedited permit processing, fee waivers and reductions; redevelopment agency-related incentives and financing; business-improvement districts; capital-improvement programs; and business financing.

In sum, enterprise zones are competitively designated based upon distress criteria (primarily poverty and unemployment levels) and the local government's capacity to carry out an economic development program. They must provide additional local incentives, and are designated for 15 years.

San Diego's current enterprise zone program has made a significant impact on the local economy. Since its inception in 1986, the program has assisted in retaining and creating over 19,000 area jobs, increasing private investment by nearly \$1 billion, and providing permit expediting, financial and technical assistance to thousands of local companies. San Diego companies have earned between \$250 and \$400 million in state enterprise zone tax credits.

SPECIFIC BENEFITS OF THE ENTERPRISE ZONE PROGRAM

The specific benefits of being in an enterprise zone are that businesses located within the zone may receive individual or corporate state tax incentives/credits to reduce a company's state tax liability dollar per dollar. Any unused tax credits may be carried forward to reduce future tax year liabilities. Businesses can also receive local incentives, including local regulatory relief. Enterprise zone state tax benefits include the following:

- Credit for hiring certain disadvantaged individuals; qualified hires must fall within one of 14 categories, including economically disadvantaged, dislocated workers, veterans, or individuals receiving public assistance. Credits are:
50% for the first year of wages
40% of second year wages
30% of third year wages
20% of fourth year wages
10% of fifth year wages.
The maximum credit is about \$32,000 per qualified hire over a 5-year period.
- Net operating losses - 100% of losses can be carried over for 15 years.
- Credit for sales/use tax paid on the first \$1 million in purchases (for individuals) or first \$20 million (for corporations).
- Business expense deduction - 40% of property costs (personal property, equipment, furnishings) can qualify as a business expense, rather than as a capital expense subject to depreciation.
- Net interest deduction for lenders, based upon the net interest received from loans made to enterprise zone businesses.

CONCLUSION:

The enterprise zone program has provided San Diego's Economic Development Division with an effective economic and employment development incentive to offer qualifying businesses that are currently in, or are considering locating into, San Diego's two existing enterprise zones.

Recognizing the additional administrative and reporting requirements and enterprise zone program resource limitations created by the proposed EZ, the cities of Chula Vista and National City will provide the following: (1) funding to support San Diego city staff services to businesses within the EZ, and (2) *marketing/promotional funds to augment expenditures* currently made by the City of San Diego to promote the EZ. The compilation of these resources will enable the City of San Diego to provide services to businesses within the EZ. The City of San Diego EZ staff are meeting with representatives from Chula Vista's Community and Economic Development Department and National City's Community Development Commission to formalize a Memorandum of Understanding (MOU) delineating and allocating financial, staffing, reporting, and all other responsibilities.

The proposed EZ expansion would confer a significant economic and employment incentive program to the cities of San Diego, Chula Vista, and National City. If approved, there will inevitably be instances when each agency pursues common business development interests and it will be important to establish a cooperative framework for managing these situations within the

MOU. Given the offer of financial support and the geographic and cultural connectivity of the area, the City of San Diego staff views this application as a unique opportunity to continue and expand the regional collaboration of an economic development partnership.

FISCAL CONSIDERATIONS: There will be ongoing staff time required to complete the EZ Application and then to administer the EZ after designation. As part of the Application, a proposed First-Year Budget must be approved by the City of San Diego as the Regional Enterprise Zone Administrator. This is a projected operating budget for the first year of marketing and administration of the proposed EZ. Our local jurisdiction is required to adopt the attached line item budget for Year One of the proposed EZ, which also reflects the partners' (Chula Vista and National City) sources and uses of funds. This budget is intended to represent a multi-year financial commitment by San Diego, Chula Vista and National City for the 15-year life of the EZ. This budget is also intended to ensure that the EZ Manager is properly budgeted and staffed at a level that will ensure compliance with the voucher program requirements as promulgated by the HCD and to meet the demands of a large regional EZ. Additionally, a RFP was issued to hire a consultant to assist with the submittal of the EZ application. Tassa Consulting Group, LLC from Sacramento was selected. San Diego's obligation of the contract is not to exceed \$20,500.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

On July 12, 2006, the Otay Mesa/Nestor Community Planning Group unanimously voted to support the City's application for a new Enterprise Zone designation.

On July 18, 2006, the San Ysidro Community Planning Group voted unanimously to support the City's application for a new Enterprise Zone designation.

On July 19, 2006, the Otay Mesa Community Planning Group unanimously voted to support the City's application for a new Enterprise Zone designation.

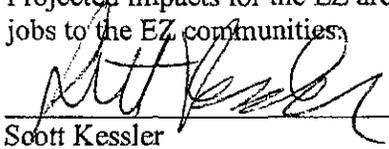
On August 17, 2006, staff is scheduled to do a presentation at the Diamond BID Board meeting.

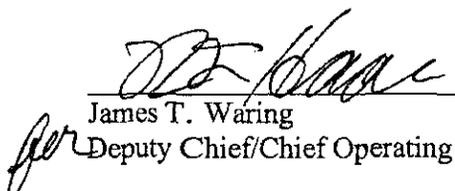
In August, staff will do a presentation to the Barrio Logan PAC.

On September 11, 2006 staff will do a presentation to the Southeast Planning Committee.

Economic Development Division staff will continue its public outreach efforts during the month of August and September 2006 to the various community groups within the application area.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: There are no key stakeholders. Projected impacts for the EZ are new private investment and the creation and retention of jobs to the EZ communities.


Scott Kessler
Originating Department


James T. Waring
Deputy Chief/Chief Operating Officer

ATTACHMENTS

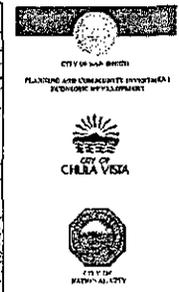
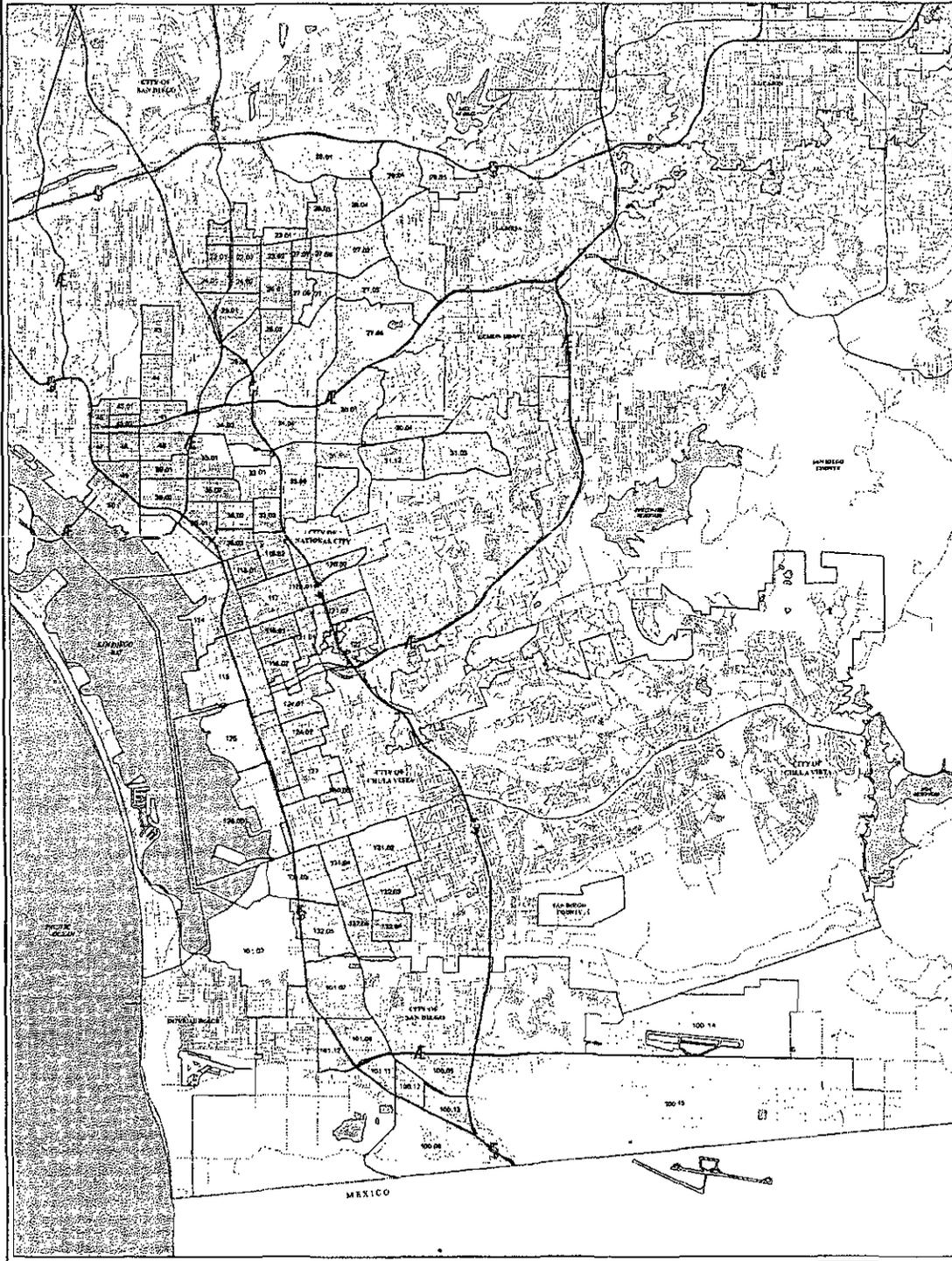
Attachment A: Map of proposed EZ boundaries

Attachment B: Proposed first-year administration budget for EZ

Attachment C: Existing Memorandum of Understanding between the City of San Diego and the City of Chula Vista

Attachment D: Existing Memorandum of Understanding between the City of San Diego and the City of National City

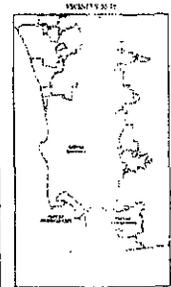
Proposed Regional Enterprise Zone



Legend

- Regional Enterprise Zone
- Municipal Boundaries
- Roads
- Bodies of Water

Source:
SANDAG Comm. Planning Div. Planning
SANDAG Comm. Transit



Scale: 1 inch = 1 mile
Date: 10/15/01
Author: [illegible]
Reviewer: [illegible]
Title: [illegible]

**San Diego Regional Enterprise Zone
Operational Budget - Year One Estimated Annual**

REVENUES:

Vouchering of Eligible Individuals		
2500 Vouchers x \$50		\$125,000
Breakdown of fee:		
Required HCD Filing Fee (pass-through to HCD)		
2500 x \$10	\$25,000	
Application fee for local program administration (San Diego)		
2500 x \$40	\$100,000	
MOU's with Chula Vista and National City		\$194,000
Appx. \$97,000 each		
Marketing/Promotion from Jurisdictions		\$13,000
San Diego	\$5,000	
Chula Vista	\$5,000	
National City	\$3,000	
City of San Diego Contribution		\$89,040
Total Revenue		\$421,040

EXPENDITURES:

Staff (San Diego only)		\$365,040
NPE (Includes office supplies, computer, etc)		\$15,000
Travel/Training		\$3,000
Marketing		\$13,000 1
HCD Filing Fee (estimate)		\$25,000
Total Expenditures		\$421,040

IN-KIND COMMITMENTS:

The following jurisdictions will commit the following hours and associated in-kind contribution for assistance with the San Diego Regional EZ:

Jurisdiction	Hours Committed	Value
San Diego	1,000	\$63,000 2
Chula Vista	1,000	\$54,600
National City	500	\$16,900
Total In-Kind Commitments		\$134,500

Notes:

- Costs associated with reprinting existing EZ marketing materials and mailing
- Hours committed are in addition to San Diego staff committed as referenced under "Expenditures".

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE
CITY OF SAN DIEGO
AND THE
CITY OF CHULA VISTA**

THIS MEMORANDUM OF UNDERSTANDING ("MOU") is made by and between the CITY OF SAN DIEGO ("SAN DIEGO"), a California municipal corporation, and the CITY OF CHULA VISTA ("CHULA VISTA"), a California municipal corporation.

WHEREAS, in 1990, the San Diego City Council directed the City Manager to submit a preliminary application to the State of California Trade & Commerce Agency to compete for a state Enterprise Zone designation to include the communities of San Ysidro, Otay Mesa, and Otay Mesa/Nestor;

WHEREAS, the State of California Legislature established Enterprise Zones for the purpose of creating jobs and stimulating private investment in economically distressed areas/jurisdictions;

WHEREAS, in 1992, SAN DIEGO was awarded a 15 year designation for the San Ysidro/Otay Mesa Enterprise Zone;

WHEREAS, in 1995, California legislation was approved increasing Enterprise Zones acreage expansion capacity from 15% to 20% increasing the expansion opportunities from 907.5 acres to 1205 acres for the San Ysidro/Otay Mesa Zone;

WHEREAS, SAN DIEGO has already expanded the San Ysidro/Otay Mesa Enterprise Zone by 342.75 acres and may seek to further expand the boundaries of the Zone by no more than 250 acres, which leaves surplus expansion capacity of 577.25 acres;

WHEREAS; CHULA VISTA is currently unable to obtain an Enterprise Zone designation from the California Trade & Commerce Agency due to the legislative limitations on Zone designations limiting California Enterprise Zones to 39;

WHEREAS; the Unified Port District of San Diego owns approximately 400 acres of property located in the cities of San Diego and Chula Vista adjacent to the existing boundaries of the San Ysidro/Otay Mesa Enterprise Zone, which is included in the proposed expansion area;

WHEREAS; the proposed Enterprise Zone expansion would involve a regional partnership between SAN DIEGO, CHULA VISTA and the Port of San Diego with each providing funding and/or programmatic support;

WHEREAS; B.F. Goodrich owns property located in the City of Chula Vista and has requested that specific properties located west of Interstate 5 and north of the existing

boundaries of the San Ysidro/Otay Mesa Enterprise Zone be included in the proposed expansion area;

WHEREAS; Duke Energy, Pacific Gas & Electric, H.G. Fenton and other business and property owners located in the City of Chula Vista would like to expand their facilities and/or redevelop property in an expanded San Ysidro/Otay Mesa Enterprise Zone;

WHEREAS; the City of San Diego, Economic Development Division, having administrative and reporting responsibilities to the California Trade & Commerce Agency for two California Enterprise Zones, 14 years of technical experience with the Enterprise Zone program, and a successful Enterprise Zone Job Referral/Placement Service issuing over 7,000 hiring vouchers to Enterprise Zone companies through a collaboration with the California Employment Development Department and the San Diego Workforce Partnership, is willing and capable of sharing this expertise with CHULA VISTA and Chula Vista businesses;

WHEREAS; SAN DIEGO has an approved Targeted Employment Area (TEA) incorporating all of the low- and moderate-income 1990 Census tracts within its jurisdiction as designated areas approved by the Trade & Commerce Agency to encourage Enterprise Zone businesses to hire TEA residents and therefore receive state tax credits on wages paid to these employees.

WHEREAS; An expansion of the existing TEA to include low- and moderate-income 1990 Census tracts in Chula Vista would benefit businesses in the Zone and residents of San Diego and Chula Vista;

and WHEREAS; SAN DIEGO and CHULA VISTA support regional economic development that benefits all citizens and businesses of South County;

NOW, THEREFORE, in consideration of the recitals and mutual obligations of the parties as herein expressed, SAN DIEGO and CHULA VISTA agree as follows:

Section I: San Ysidro/Otay Mesa Enterprise Zone Expansion

SAN DIEGO shall request from the California Trade & Commerce Agency an expansion of the boundaries of the San Ysidro/Otay Mesa Enterprise Zone (Zone). The expansion request shall include certain properties in the City of Chula Vista as described in Exhibit A attached hereto and incorporated herein by this reference and from hereon referred to as the "ZONE EXPANSION AREA". The Zone Expansion Area is limited to 577 acres and shall include the following sites and acreages based on the most current GIS and Assessor's data available:

- 1) B.F. Goodrich/Rohr, 75.6 acres;
- 2) Port of San Diego, 402.1 acres (including 302.1 acres in the City of Chula Vista and 100.0 acres in the City of San Diego);

- 3) Raytheon, 9.8 acres;
- 4) H.G. Fenton, 56.4 acres (including 20.7 in the City of Chula Vista and 35.7 in the City of San Diego);
- 5) Chula Vista Capital, 20.0 acres;
- 6) Pacific Gas & Electric, 9.8 acres; and
- 7) Approximately 3.3 acres of right-of-way for contiguity with existing Zone boundaries.

SAN DIEGO shall further request from the California Trade & Commerce Agency an expansion of the boundaries of the San Diego Targeted Employment Area (TEA). The TEA expansion request shall include low- and moderate-income 1990 Census tracts in the City of Chula Vista as described in Exhibit B attached hereto and incorporated herein by this reference.

SAN DIEGO and CHULA VISTA will collaborate to comply with the requirements of the California Trade & Commerce Agency for Zone and TEA expansions as follows:

SAN DIEGO:

- 1) The SAN DIEGO City Manager will request from SAN DIEGO City Council a resolution authorizing him to submit a request to the State of California Trade & Commerce Agency to expand the San Ysidro/Otay Mesa Enterprise Zone to include the ZONE EXPANSION AREA contiguous to the existing Zone boundaries.
- 2) The SAN DIEGO City Manager will initiate a request for another SAN DIEGO City Council resolution authorizing the expansion of SAN DIEGO's TEA to include low- and moderate-income 1990 Census tracts in the City of Chula Vista.
- 3) SAN DIEGO staff will coordinate and provide technical assistance to Chula Vista in preparing documentation required for the Zone and TEA expansion requests.
- 4) SAN DIEGO staff will submit a request with all pertinent documentation to the California Trade & Commerce Agency requesting the expansion of SAN DIEGO's existing Zone and TEA.

CHULA VISTA:

- 1) The CHULA VISTA City Manager will request from City Council a resolution supporting SAN DIEGO's Zone and TEA expansion requests to the California Trade & Commerce Agency.
- 2) CHULA VISTA staff will prepare all documentation required by the California Trade & Commerce Agency for the Enterprise Zone and TEA expansions including, but not limited to, the following:
 - a) CHULA VISTA City Council resolution supporting SAN DIEGO's Enterprise Zone expansion request to the California Trade & Commerce Agency to

- b) include property in the City of Chula Vista.
- b) Map/s illustrating the proposed ZONE EXPANSION AREA limited to 577 acres with commercial or industrial zoning and contiguous to the existing Zone's most northerly boundary line.
- c) Modification to the Zone's boundary description document to include the Zone Expansion Area.
- d) Modification to the Zone's street range document to include the Zone Expansion Area.
- e) Modification of SAN DIEGO's TEA street range document to include Chula Vista's low- and moderate-income 1990 Census tracts.
- f) Initiate an MOU with the California Trade & Commerce Agency identifying Chula Vista's goals and objectives for implementing the Enterprise Zone Program in collaboration with the existing San Diego Enterprise Zone Program.

Section II: Zone Administration

As the grantee of the Zone designation, SAN DIEGO will continue to assume responsibility for the administration of the Zone which includes coordinating and submitting all annual reports to the California Trade & Commerce Agency, overseeing the employee certification and vouchering process, and administering the job placement/referral service. SAN DIEGO and CHULA VISTA will collaborate on the following:

- 1) Establishing goals and objectives for the Zone, as expanded.
- 2) Developing and implementing marketing strategies including, but not limited to workshops, press releases, marketing materials, trade shows and business outreach.
- 3) SAN DIEGO and CHULA VISTA staff shall meet quarterly to discuss such issues as policy changes affecting this MOU, existing and new work plans, progress and tracking of goals and objectives, joint administrative issues, and annual reporting requirements
- 4) Enterprise Zone business attraction activities and responses to Enterprise Zone site selection requests from economic development organizations and/or businesses whenever possible.

SAN DIEGO and CHULA VISTA further agree that all San Ysidro/Otay Mesa Enterprise Zone promotional materials designed for distribution to the public, businesses and economic development organizations shall include information on both jurisdictions whenever possible and shall be reviewed and mutually agreed to by designated employees from both SAN DIEGO and CHULA VISTA whenever both jurisdictions are referenced.

Each city will collect and maintain pertinent data for the respective jurisdiction as required by the Trade and Commerce Agency for annual reports and state audits, and as required by their respective City Managers and City Councils. This information includes, but is not

limited to, the following:

- 1) List of existing businesses within the Zone
- 2) New businesses locating in the Zone
- 3) Number of companies receiving vouchers
- 4) Number of vouchers issued
- 5) Number of jobs created and/or retained within the Zone
- 6) Number of residential and commercial building permits issued and valuation of structures for which building permits are issued
- 7) Value and nature of incentives provided to companies within the Zone, and
- 8) Number of business inquiries requesting information on Zone incentives.

Each jurisdiction shall have an assigned employee responsible for responding to inquiries regarding the Enterprise Zone Program benefits, collecting and updating data for reporting purposes, and for additional support to the Zone Program as required. These assigned positions, upon execution of this MOU, shall be the San Ysidro/Otay Mesa Enterprise Zone Program Manager for SAN DIEGO and the Business Retention Specialist for CHULA VISTA. SAN DIEGO will also have a designated employee responsible for assisting Zone businesses located in both jurisdictions with employee certification and vouchering in a timely manner.

Section III: Compensation and Resources

In consideration of SAN DIEGO's agreement to administer the entire Enterprise Zone Program and to coordinate workforce development services for businesses located in the Enterprise Zone and ZONE EXPANSION AREA, CHULA VISTA shall be responsible for full compensation of the annualized amount of program funding to SAN DIEGO to provide additional administrative support for the Enterprise Zone expansion for fiscal years 2001-2008 as described in Exhibit C ("City of San Diego Enterprise Zone Program: City of Chula Vista Budget Contribution in Support of the San Ysidro/Otay Mesa Enterprise Zone Expansion, Fiscal Years 2001-2008") attached hereto and incorporated herein by this reference. CHULA VISTA shall reimburse the aforementioned annualized amount of program funding to SAN DIEGO through January 2007. The compensation and budget may be adjusted by no more than 5% per year and such adjustment must be approved in writing by the contract administrators for SAN DIEGO and CHULA VISTA.

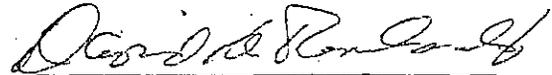
In order to facilitate the aforementioned compensation agreement for the term of this MOU, CHULA VISTA shall reimburse SAN DIEGO for time and materials within 15 days of receipt of a quarterly invoice detailing San Diego's expenditures and upon satisfactory performance of this MOU. Chula Vista may not unreasonably withhold payment unless expenditures have not been properly accounted for.

IN WITNESS THEREOF, this Memorandum of Understanding is executed by the City of San Diego, acting by and through its Economic Development and Community Services Director, on this 20th day of November, 2000; and the City of Chula Vista, acting by and through its City Manager, on this 5th day of December, 2000.

THE CITY OF SAN DIEGO

THE CITY OF CHULA VISTA

by _____
HANK CUNNINGHAM
Economic Development and Community
Services Director

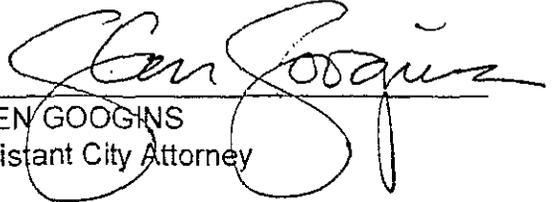
by 
DAVID D. ROWLANDS, JR.
City Manager

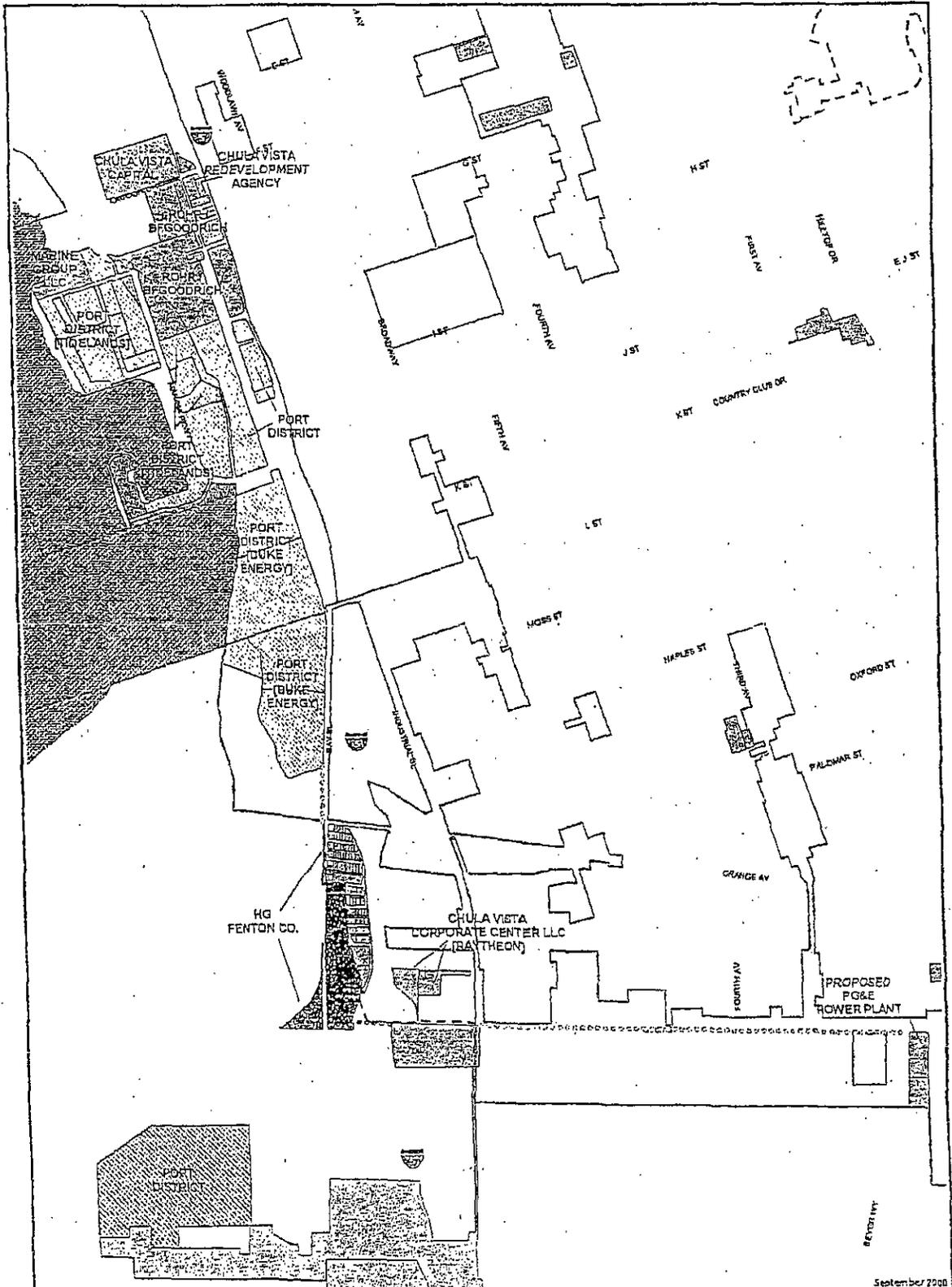
I HEREBY APPROVE the form and legality of the foregoing Memorandum of Understanding this _____ day of _____, 2000.

THE CITY OF SAN DIEGO
CASEY GWINN, City Attorney

THE CITY OF CHULA VISTA
JOHN M. KAHENY, City Attorney

by _____
LISA A. FOSTER
Deputy City Attorney

by 
GLEN GOOGINS
Assistant City Attorney



September 2200

CONCEPTUAL EXPANSION
San Ysidro / Otay Mesa Enterprise Zone

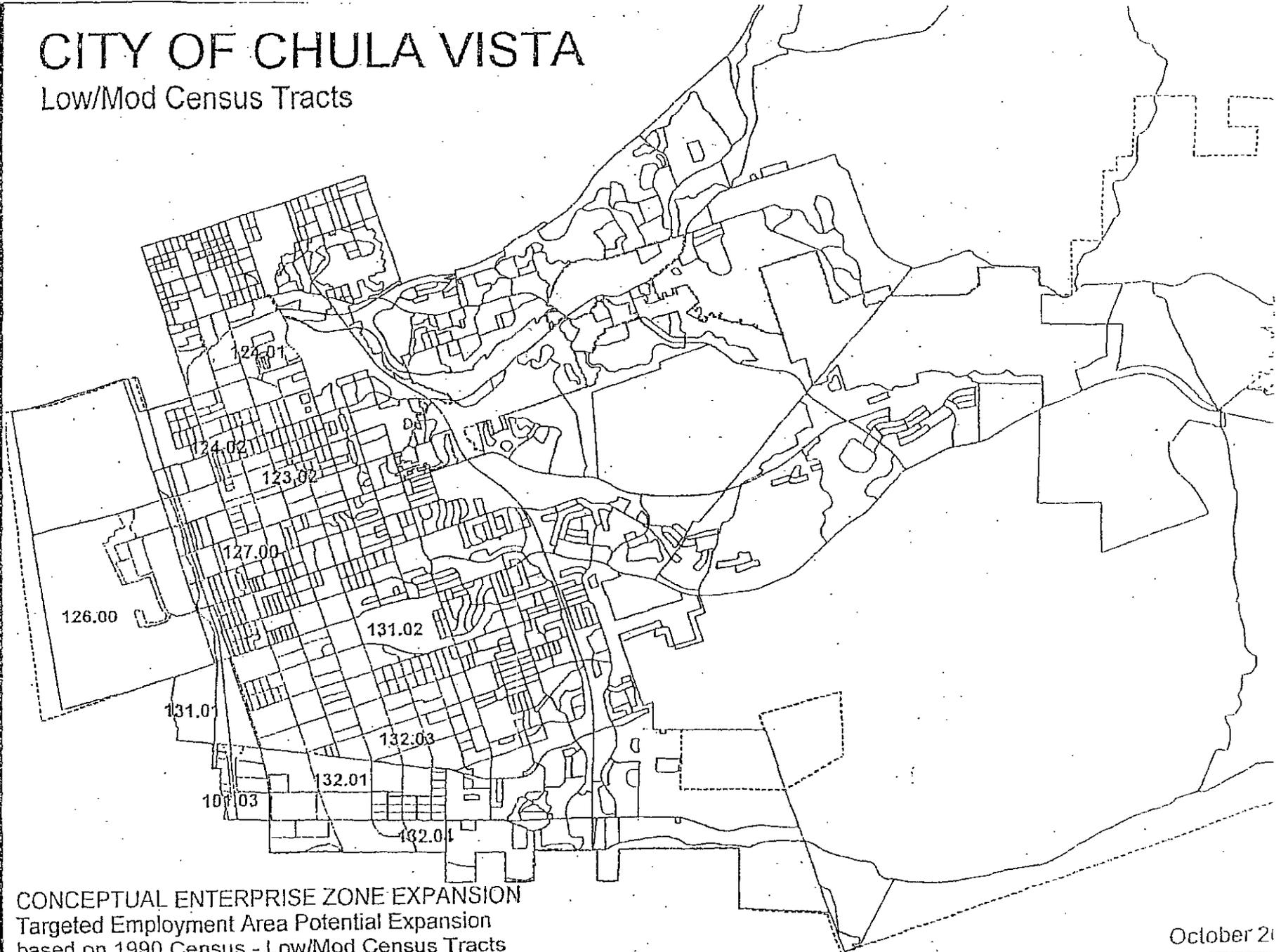
- Chula Vista
- Chula Vista / Port District
- San Diego / Port District
- San Diego
- ROW Connection
- Existing Enterprise Zone
- City Boundary
- Redevelopment Project Area Boundary
- Streets

Chula Vista Capital	20.0 acres
Rohr / BFGoodrich	75.6 acres
Port Tidelands / Boatyard	161.2 acres
Port / Duke Energy	140.8 acres
Fairfield [Fenton]	56.4 acres
Raytheon	9.8 acres
Port [San Diego]	100.0 acres
Proposed PG&E Power Plant	9.8 acres
ROW Estimate	3.3 acres

CITY OF CHULA VISTA

Low/Mod Census Tracts

EXHIBIT B



CONCEPTUAL ENTERPRISE ZONE EXPANSION
Targeted Employment Area Potential Expansion
based on 1990 Census - Low/Mod Census Tracts

October 21

000242

City of San Diego
Enterprise Zone Program

City of Chula Vista Budget Contribution In Support of the
Enterprise Zone Program Expansion
Fiscal Years 2001-2008

Fiscal Year	2001	2002	2003	2004	2005	2006	2007
CDS II (1)	\$ 39,000 (2)	\$ 70,350	\$ 73,900	\$ 77,600	\$ 81,500	\$85,500	\$45,000 (3)
Marketing and Promotional Materials (4)	\$ 20,000	\$ 20,000	\$ 20,000	\$ 15,000	\$ 15,000	\$10,000	\$ 3,000
Training	\$ 0	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Total	\$59,000	\$91,850	\$95,400	\$94,100	\$98,000	\$97,000	\$49,500

Total Budget Allocation: \$584,850

Notes:

- (1) The Community Development Specialist II will be a City of San Diego employee whose activities shall be directed in support of the City's Enterprise Zone Program by the City's Enterprise Zone Manager. The Community Development Specialist II position will provide certification and vouchering to businesses, other related employment related services and maintain data for City of San Diego and City of Chula Vista. Data collection and systematic recordkeeping will include but is not limited to: 1) all vouchers issued; 2) wages paid; 3) employers receiving vouchers; 4) area resident placements (including TEA residents); 5) number of job orders received and completed; and 6) number of jobs created and/or retained.
- (2) Reflects 7 month allocation from date of expansion approval by Trade & Commerce Agency.
- (3) Reflects half year allocation due to expiration of Enterprise Zone in January 2007.
- (4) Includes: Maintaining EZ/TEA maps, participation in Trade Shows, advertising campaign, marketing brochures, workshops, and mailing campaigns. All materials shall be made available to the City of San Diego, City of Chula Vista, Port of San Diego, local Chambers, business associations, South County EDC, and San Diego Regional EDC. Cost would be shared by the City of Chula Vista, Port of San Diego, and the City of San Diego.

MEMORANDUM OF UNDERSTANDING
BETWEEN THE
CITY OF SAN DIEGO
AND THE
CITY OF NATIONAL CITY

THIS MEMORANDUM OF UNDERSTANDING ("MOU") is made by and between the CITY OF SAN DIEGO ("SAN DIEGO"), a California municipal corporation, and the CITY OF NATIONAL CITY ("NATIONAL CITY"), a California municipal corporation.

WHEREAS, in 1990, the San Diego City Council directed the City Manager to submit a preliminary application to the State of California Technology, Trade & Commerce Agency to compete for a state Enterprise Zone designation to include the communities of San Ysidro, Otay Mesa, and Otay Mesa/Nestor;

WHEREAS, the State of California Legislature established Enterprise Zones for the purpose of creating jobs and stimulating private investment in economically distressed areas/jurisdictions;

WHEREAS, in 1992, SAN DIEGO was awarded a 15 year designation for the South Bay Enterprise Zone;

WHEREAS, in 1995, California legislation was approved increasing Enterprise Zones acreage expansion capacity from 15% to 20% increasing the expansion opportunities from 907.5 acres to 1210 acres for the San Ysidro/Otay Mesa Zone;

WHEREAS, SAN DIEGO has already expanded the South Bay Enterprise Zone by 1001.75 acres and may seek to further expand the boundaries of the Zone by no more than 123 acres, which leaves surplus expansion capacity of 85.25 acres;

WHEREAS, SAN DIEGO changed the name of the San Ysidro/Otay Mesa Enterprise Zone to the South Bay Enterprise Zone in December of 2000 upon approval from the California Technology, Trade & Commerce Agency to reflect the regional boundary of the Enterprise Zone;

WHEREAS; NATIONAL CITY is currently unable to obtain an Enterprise Zone designation from the California Technology, Trade & Commerce Agency due to the legislative limitations on Zone designations limiting California Enterprise Zones to 39;

WHEREAS; the San Diego Unified Port District owns approximately 47.76 acres of property located in NATIONAL CITY adjacent to the existing boundaries of the South Bay Enterprise Zone which is included in the proposed expansion area;

DOCUMENT NO. C-11804
FILED NOV 27 2002
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

WHEREAS; the proposed Enterprise Zone expansion would involve a regional partnership between SAN DIEGO, NATIONAL CITY and the Port of San Diego with each providing funding and/or programmatic support;

WHEREAS; Knight & Carver Yacht center, Inc., Motivational Systems, Inc., Reliance Metal Center, Inc. and other business and property owners located in the City of NATIONAL CITY would like to expand their facilities and/or redevelop property in an expanded South Bay Enterprise Zone;

WHEREAS; the City of San Diego, Community and Economic Development Department, having administrative and reporting responsibilities to the California Technology, Trade & Commerce Agency for two California Enterprise Zones, 15 years of technical experience with the Enterprise Zone program, and a successful Enterprise Zone Job Referral/Placement Service issuing over 8,000 hiring vouchers to Enterprise Zone companies through a collaboration with the California Employment Development Department and the San Diego Workforce Partnership, is willing and capable of sharing this expertise with NATIONAL CITY and NATIONAL CITY businesses;

WHEREAS; SAN DIEGO has an approved Targeted Employment Area (TEA) incorporating all of the low- and moderate-income 1990 Census tracts within its jurisdiction as designated areas approved by the Trade & Commerce Agency to encourage Enterprise Zone businesses to hire TEA residents and therefore receive state tax credits on wages paid to these employees.

WHEREAS; An expansion of the existing TEA to include low- and moderate-income 1990 Census tracts in NATIONAL CITY would benefit businesses in the Zone and residents of San Diego and NATIONAL CITY; and

WHEREAS; SAN DIEGO and NATIONAL CITY support regional economic development that benefits all citizens and businesses of South County;

NOW, THEREFORE, in consideration of the recitals and mutual obligations of the parties as herein expressed, SAN DIEGO and NATIONAL CITY agree as follows:

Section I: South Bay Enterprise Zone Expansion

SAN DIEGO shall request from the California Technology, Trade & Commerce Agency an expansion of the boundaries of the South Bay Enterprise Zone (Zone). The expansion request shall include certain properties in the City of NATIONAL CITY as described in Exhibit A attached hereto and incorporated herein by this reference and from hereon referred to as the "ZONE EXPANSION AREA". The Zone Expansion Area is limited to 84.48 acres and shall include the following sites and acreage based on the most current GIS and Assessor's data available:

1. Knight and Carver Yachtcenter, Inc., 8.40 acres;
2. R.E. Staite Engineering, Inc., 3.79 acres;
3. PASHA Properties, 35.57 acres;
4. Reliance Metal Center, Inc., 3.72 acres;
5. Motivational Systems, Inc., 1.77 acres;
6. Vacant Land, 12.23 acres; and
7. Approximately 19 acres of right-of-way for contiguity with existing Zone boundaries.

TOTAL EXPANSION AREA 84.48 ACRES

SAN DIEGO shall further request from the California Technology, Trade & Commerce Agency an expansion of the boundaries of the San Diego Targeted Employment Area (TEA). The TEA expansion request shall include low- and moderate-income 1990 Census tracts in the City of NATIONAL CITY as described in Exhibit B attached hereto and incorporated herein by this reference.

SAN DIEGO and NATIONAL CITY will collaborate to comply with the requirements of the California Technology, Trade & Commerce Agency for Zone and TEA expansions as follows:

SAN DIEGO:

- 1) The SAN DIEGO City Manager will request from SAN DIEGO City Council a resolution authorizing him to submit a request to the State of California Technology, Trade & Commerce Agency to expand the South Bay Enterprise Zone to include the ZONE EXPANSION AREA contiguous to the existing Zone boundaries.
- 2) The SAN DIEGO City Manager will initiate a request for another SAN DIEGO City Council resolution authorizing the expansion of SAN DIEGO's TEA to include low- and moderate-income 1990 Census tracts in the City of NATIONAL CITY.
- 3) SAN DIEGO staff will coordinate and provide technical assistance to NATIONAL CITY in preparing documentation required for the Zone and TEA expansion requests.
- 4) SAN DIEGO staff will submit a request with all pertinent documentation to the California Technology, Trade & Commerce Agency requesting the expansion of SAN DIEGO's existing Zone and TEA.

NATIONAL CITY:

- 1) NATIONAL CITY City Manager will request from City Council a resolution supporting SAN DIEGO's Zone and TEA expansion requests to the California Technology, Trade & Commerce Agency.
- 2) NATIONAL CITY staff or designated representative will prepare all documentation required by the California Technology, Trade & Commerce Agency for the Enterprise Zone and TEA expansions including, but not limited to, the following:
 - a) NATIONAL CITY City Council resolution supporting SAN DIEGO's Enterprise Zone expansion request to the California Technology, Trade & Commerce Agency to include property in the City of NATIONAL CITY.
 - b) Map/s illustrating the proposed ZONE EXPANSION AREA limited to 84.48 acres with commercial or industrial zoning and contiguous to the existing Zone's most northerly boundary line.
 - c) Modification to the Zone's boundary description document to include the Zone Expansion Area.
 - d) Modification to the Zone's street range document to include the Zone Expansion Area.
 - e) Modification of SAN DIEGO's TEA street range document to include NATIONAL CITY's low- and moderate-income 1990 Census tracts.

Section II: Zone Administration

As the grantee of the Zone designation, SAN DIEGO will continue to assume responsibility for the administration of the Zone which includes coordinating and submitting all annual reports to the California Technology, Trade & Commerce Agency, overseeing the employee certification and vouchering process, and administering the job placement/referral service. SAN DIEGO and NATIONAL CITY will collaborate on the following:

- 1) Establishing goals and objectives for the Zone, as expanded.
- 2) Developing and implementing marketing strategies including, but not limited to workshops, press releases, marketing materials, trade shows and business outreach.
- 3) SAN DIEGO and NATIONAL CITY staff shall meet quarterly to discuss such issues as policy changes affecting this MOU, existing and new work plans, progress and tracking of goals and objectives, joint administrative issues, and annual reporting requirements
- 4) Enterprise Zone business attraction activities and responses to Enterprise Zone site selection requests from economic development organizations and/or businesses whenever possible.

SAN DIEGO and NATIONAL CITY further agree that all South Bay Enterprise Zone promotional materials designed for distribution to the public, businesses and economic development organizations shall include information on both jurisdictions whenever

possible and shall be reviewed and mutually agreed to by designated employees from both SAN DIEGO and NATIONAL CITY whenever both jurisdictions are referenced.

Each city will collect and maintain pertinent data for the respective jurisdiction as required by the Trade and Commerce Agency for annual reports and state audits, and as required by their respective City Managers and City Councils. This information includes, but is not limited to, the following:

- 1) List of existing businesses within the Zone
- 2) New businesses locating in the Zone
- 3) Number of companies receiving vouchers
- 4) Number of vouchers issued
- 5) Number of jobs created and/or retained within the Zone
- 6) Number of residential and commercial building permits issued and valuation of structures for which building permits are issued
- 7) Value and nature of incentives provided to companies within the Zone, and
- 8) Number of business inquiries requesting information on Zone incentives.

Each jurisdiction shall have an assigned employee responsible for responding to inquiries regarding the Enterprise Zone Program benefits, collecting and updating data for reporting purposes, and for additional support to the Zone Program as required. These assigned positions, upon execution of this MOU, shall be the South Bay Enterprise Zone Program Manager for SAN DIEGO and the Business Retention Specialist for NATIONAL CITY. SAN DIEGO will also have a designated employee responsible for assisting Zone businesses located in both jurisdictions with employee certification and vouchering in a timely manner.

Section III: Compensation and Resources

In consideration of SAN DIEGO's agreement to administer the entire Enterprise Zone Program and to coordinate workforce development services for businesses located in the Enterprise Zone and ZONE EXPANSION AREA, NATIONAL CITY shall be responsible for full compensation of the annualized amount of program funding to SAN DIEGO to provide additional administrative support for the Enterprise Zone expansion for fiscal years 2003-2007 as described in Exhibit B ("City of San Diego Enterprise Zone Program: City of NATIONAL CITY Budget Contribution in Support of the South Bay Enterprise Zone Expansion, Fiscal Years 2003-2007") attached hereto and incorporated herein by this reference. NATIONAL CITY shall reimburse the aforementioned annualized amount of program funding to SAN DIEGO through January 2007. The compensation and budget may be adjusted by no more than 5% per year and such adjustment must be approved in writing by the contract administrators for SAN DIEGO and NATIONAL CITY.

In order to facilitate the aforementioned compensation agreement for the term of this MOU, NATIONAL CITY shall reimburse SAN DIEGO for time and materials within 15 days of receipt of a quarterly invoice detailing San Diego's expenditures and upon satisfactory

performance of this MOU. NATIONAL CITY may withhold any payment in the event that expenditures have not been properly accounted for or any other terms of this agreement have not been met.

Section IV: Hold Harmless

NATIONAL CITY and SAN DIEGO agree to defend, indemnify, protect, and hold harmless each other's agents, officers and employees from and against any and all claims asserted of liability established for damages or injuries to any person or property, including injury to NATIONAL CITY and SAN DIEGO employees, agents or officers which arise from or are connected with or caused or claimed to be caused by the acts or omission of the other or the other's agents, officers or employees, in performing the work or services herein, and all expenses of investigating and defending against same; PROVIDED, however, that NATIONAL CITY and SAN DIEGO's duty to indemnify and hold harmless the other shall not include any claims or liability arising from the established sole negligence or willful misconduct of the other, its agents, officers or employees.

Section V: General Provisions

- 1) The contract administrator for this MOU for SAN DIEGO shall be the Economic Development Division Deputy Director, and for NATIONAL CITY shall be the Community Development Commission Director.
- 2) All Exhibits referred to in this MOU are incorporated by reference and, by this reference, made a part of this MOU as though fully set forth herein. In the event of any discrepancy between the terms of this MOU and any Exhibit, the terms of this MOU shall control.
- 3) This MOU does not create any agency or partnership relationship.
- 4) This MOU is not assignable by either party.
- 5) This MOU is the sole and entire MOU between the parties relating to the subject matter hereof, and supersedes all prior understandings, agreements and documentation relating to such subject matter. Any modifications to this MOU must be in writing and signed by both parties.

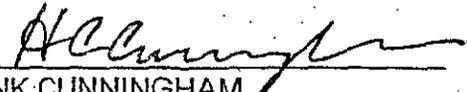
Section VI: TERM

This MOU is effective upon approval by both cities and shall terminate upon expiration of the state designated Zone on January 27, 2007. The effectiveness of this MOU is also contingent upon the approval of a funding contribution to the expanded Enterprise Zone Program by the Board of Port Commissioners of the San Diego Unified Port District. The Board of Port Commissioners reserves the right to approve a proposed 70% funding contribution at its sole discretion. NATIONAL CITY agrees to exercise its best efforts to obtain Port approval of this funding reimbursement by no later than July 30, 2002. Should state legislation allow for extension of the Zone, the terms of this MOU are renewable based upon written agreement by SAN DIEGO and NATIONAL CITY.

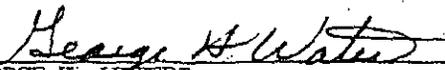
000250

IN WITNESS THEREOF, this Memorandum of Understanding is executed by the City of San Diego, acting by and through its **Community and Economic Development Department** Director, and the City of NATIONAL CITY, acting by and through its City Manager, on this 11th day of October, 2002.

THE CITY OF SAN DIEGO

by 
HANK CUNNINGHAM
Community and Economic Development
Director

THE CITY OF NATIONAL CITY

by 
GEORGE H. WATERS
Mayor

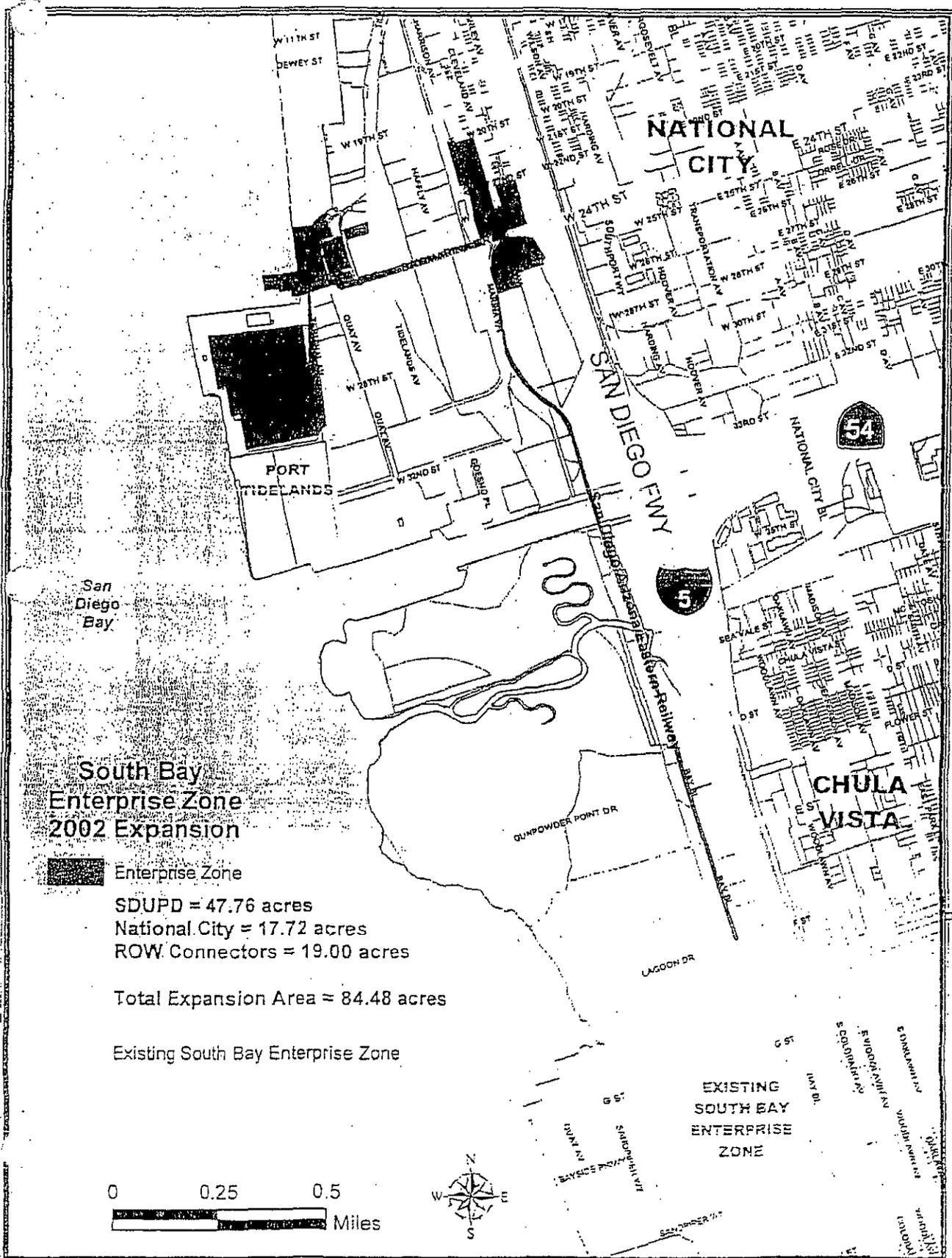
I HEREBY APPROVE the form and legality of the foregoing Memorandum of Understanding this 18th day of Nov, 2002.

THE CITY OF SAN DIEGO
CASEY GWINN, City Attorney

by 
LISA A. FOSTER
Deputy City Attorney

THE CITY OF NATIONAL CITY
GEORGE EISER, City Attorney

by 



**City of San Diego
Enterprise Zone Program**

**City of National City Budget Contribution In Support of the
Enterprise Zone Program Expansion
Fiscal Years 2003-2007**

Fiscal Year	2003	2004	2005	2006	2007
CDS II (1)	\$70,520	\$ 74,050	\$ 77,750	\$ 81,635	\$50,005
Overhead (3)	\$15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 8,750
Training	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Total	\$87,020	\$90,550	\$94,250	\$98,135	\$ 60,255

Total Budget Allocation: \$430,210

Notes:

- (1) The Community Development Specialist II will be a City of San Diego employee whose activities shall be directed in support of the City's Enterprise Zone Program by the City's Enterprise Zone Manager. The Community Development Specialist II position will provide certification and vouchering to businesses, other related employment related services and maintain data for City of San Diego and City of National City. Data collection and systematic record keeping will include but is not limited to: 1) all vouchers issued; 2) wages paid; 3) employers receiving vouchers; 4) area resident placements (including TEA residents); 5) number of job orders received and completed; and 6) number of jobs created and/or retained.
- (2) Reflects 7 month allocation due to expiration of Enterprise Zone in January 2007.
- (3) Includes rent, mileage, phone, computer maintenance

Note: Should State legislation be approved to allow for the approval of a 5 year extension, the budget will be modified to reflect the additional 5 years through FY 2012.

000253

REQUEST FOR COUNCIL ACTION
CITY OF SAN DIEGO

1. CERTIFICATE NUMBER
(FOR AUDITOR'S USE ONLY)

TO: CITY ATTORNEY
2. FROM (ORIGINATING DEPARTMENT): City Planning & Community Investment/Econ. Dev. Div.
3. DATE: 10/06/2008

4. SUBJECT: San Diego Regional Enterprise Zone

5. PRIMARY CONTACT (NAME, PHONE & MAIL STA.): Lydia Moreno, 236-6320, MS 56D
6. SECONDARY CONTACT (NAME, PHONE & MAIL STA.): Scott Kessler, 236-6421, MS 56D
7. CHECK BOX IF REPORT TO COUNCIL IS ATTACHED

8. COMPLETE FOR ACCOUNTING PURPOSES

FUND				
DEPT.				
ORGANIZATION				
OBJECT ACCOUNT				
JOB ORDER				
C.I.P. NUMBER				
AMOUNT				

9. ADDITIONAL INFORMATION / ESTIMATED COST:
THIS ACTION REQUIRES NO ADDITIONAL FISCAL IMPACT TO THE SAN DIEGO REGIONAL ENTERPRISE ZONE PROGRAM.

10. ROUTING AND APPROVALS

ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
1	ORIGINATING DEPARTMENT	SCOTT KESSLER		8	DEPUTY CHIEF	WILLIAM ANDERSON	10-13-08
2	DEPARTMENT DIRECTOR	WILLIAM ANDERSON	10-13-08	9			
3	EAS	MYRA FERMAN	10/13/08	10	CITY ATTORNEY	KIMBERLY K. KAELEN	10-29-08
4	LIAISON OFFICE	ED PLANK	10/14/08	11	ORIGINATING DEPARTMENT	LYDIA MORENO	10-29-08
5	FINANCIAL MGMT	JULIO CANIZAL	10/16/08		DOCKET COORD:	COUNCIL LIAISON:	10/13/08
6	AUDITORS	FERNANDA FIGUEROA	10/21/08		COUNCIL PRESIDENT	<input type="checkbox"/> SPOB <input type="checkbox"/> CONSENT <input checked="" type="checkbox"/> ADOPTION	
7					<input type="checkbox"/> REFER TO:	COUNCIL DATE: 11/10/08	

11. PREPARATION OF: RESOLUTION(S) ORDINANCE(S) AGREEMENT(S) DEED(S)

1) Authorize Staff to submit required documents to the State Housing and Community Development Dept. requesting modification of the boundaries of the San Diego Regional Enterprise Zone application area prior to final designation.

11A. STAFF RECOMMENDATIONS:
Approve the resolution.

12. SPECIAL CONDITIONS:

COUNCIL DISTRICT(S): 3, 4, 7, 8

COMMUNITY AREA(S): College Area, City Heights, North Park, Logan Heights, Barrio Logan, Sherman Heights, Stockton, Southcrest, Mountain View, Mt. Hope, Shelltown, Lincoln Park, Valencia Park, Chollas View, San Ysidro, Otay Mesa/Nestor, Otay Mesa, and Centre City East

ENVIRONMENTAL IMPACT: THIS ACTIVITY IS COVERED UNDER PROJECT NO. 104495, DRAFT GENERAL PLAN. THIS ACTIVITY IS ADEQUATELY ADDRESSED IN THE ENVIRONMENTAL DOCUMENT AND THERE IS NO CHANGE IN CIRCUMSTANCE, ADDITIONAL INFORMATION, OR PROJECT CHANGES TO WARRANT ADDITIONAL ENVIRONMENT REVIEW. THEREFORE, THE ACTIVITY IS NOT A SEPARATE PROJECT FOR PURPOSES OF CEQA REVIEW PURSUANT TO STATE CEQA GUIDELINES SECTION §15060(C)(3).

HOUSING IMPACT: None

OTHER ISSUES: None

EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE ISSUED: _____ REPORT NO: _____
 ATTENTION: Council President and City Council
 ORIGINATING DEPARTMENT: City Planning and Community Investment
 SUBJECT: State Regional Enterprise Zone Application
 COUNCIL DISTRICT(S): 2, 3, 4, 7, & 8.
 CONTACT/PHONE NUMBER: Lydia Moreno, 236-6320

REQUESTED ACTION:

Authorize Staff to submit required documents to the State Housing and Community Development Dept. requesting modification of the boundaries of the San Diego Regional Enterprise Zone application area prior to final designation.

STAFF RECOMMENDATION: Approve action as requested.

EXECUTIVE SUMMARY:

BACKGROUND: The City of San Diego previously received approval for two enterprise zone (EZ) designations, the Metro EZ (1986) and the South Bay EZ (1992). The Metro Enterprise Zone expired on October 14, 2006, and the South Bay Enterprise Zone expired on January 27, 2007. On August 15, 2006, the City Council approved a resolution (R-301845) authorizing submission of an application to the California Housing and Community Development Department (HCD) for a regional EZ designation, the San Diego Regional Enterprise Zone (SDREZ), for the cities of San Diego, Chula Vista and National City ("SDREZ Partners"). The process for EZ designation is competitive and based on economic need (distressed communities, lack of private investment, job creation needs, high unemployment, and/or poverty) and must include a realistic and ambitious EZ program marketing and job development strategies and a solid implementation plan. Council certified the Final Environmental Impact Report and approved a resolution (R-304082, adopted September 10, 2008) authorizing staff to submit documentation to establish a targeted employment area (TEA) to the State Housing and Community Development Dept. (HCD).

DISCUSSION: Prior to obtaining final designation of a conditional EZ designation, HCD is accepting boundary modification requests pursuant to certain conditions. See concurrently submitted Report to Council for detailed discussion regarding required conditions. The designation date for boundary modification is the same as the conditionally approved EZ. For the SDREZ the designation date is October 15, 2006. Therefore, businesses may take advantage of EZ incentives retroactive to the date of designation. At the City Council hearing on September 8, 2008, Council directed staff to do an analysis of specific areas to determine qualification for EZ status per the aforementioned conditions and requested that the City submit a boundary modification request if additional areas qualified for inclusion in the boundary modification. Per City Council direction as well as input from various stakeholders, staff has identified several areas complying with HCD's boundary modification requirements. These areas are identified in Attachment A. Resolutions from the SDREZ's municipal partners must also be obtained and included in the request to HCD for the boundary modification. Areas not within the EZ may still benefit from the designation in the following manner:

- 1) Employees, regardless of residency, employed by an EZ company may qualify for the EZ Personal Income Tax Credit depending on household income.
- 2) EZ companies can apply for an EZ Hiring Credit Voucher for each employee residing in the Targeted Employment Areas (TEA). On September 8, 2008, Council authorized staff (R-304082) to submit documentation to establish a new TEA encompassing census tracts with a population of at least 51% earning less than the county's median wage.
- 3) Properties zoned commercial or industrial meeting the city's stated EZ strategic plan as submitted in the original application can be included through an EZ expansion at a later date and after receiving final designation. See concurrently submitted Report to Council for detailed discussion regarding required conditions.

Modifying the SDREZ boundaries to include areas previously in the expired EZ gives San Diego a medium to continue to be competitive with other major metropolitan areas in the state by offering business incentives to assist existing employers and attract new ones to the region. The next step in this process is for the municipal "SDREZ Partners" to approve by resolution the boundary modification as shown in Attachment A and submit the request and documentation to HCD for approval.

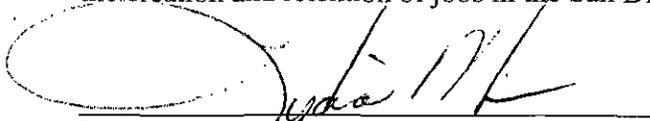
FISCAL CONSIDERATIONS: There will be ongoing staff time required to administer the SDREZ during the designation period. However, this action has no additional administrative or fiscal impact to the existing SDREZ program.

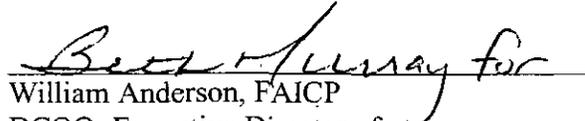
PREVIOUS COUNCIL and/or COMMITTEE ACTION: On August 8, 2006, City Council authorized the Mayor or his designee to execute and submit the required documentation to HCD for review and approval of a new EZ designation via resolution R-301845. City Council certified the Environmental Impact Report (EIR), No. 134663, and authorized the Mayor to submit documents to establish a Targeted Employment Area (TEA) on September 8, 2008 via resolution R-304082, adopted September 10, 2008.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:
See Report to City Council #06-112.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

There are no key stakeholders. Projected impacts for the SDREZ are new private investments and the creation and retention of jobs in the San Diego region.


Lydia Moreno
Originating Department


William Anderson, FAICP
DCOO: Executive Director of
City Planning and Development

ATTACHMENTS:

- Attachment A SDREZ Boundary Modification Map

203
11/10/08

RESOLUTION NUMBER R-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO AUTHORIZING THE MAYOR TO SUBMIT TO THE CALIFORNIA HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT (HCD) A BOUNDARY MODIFICATION FOR THE SAN DIEGO REGIONAL ENTERPRISE ZONE PRIOR TO HCD'S FINAL DESIGNATION OF THE ZONE.

WHEREAS, the City Council adopted Resolution R-301845 authorizing submission of an application to the California Housing and Community Development Department [HCD] for a San Diego Regional Enterprise Zone [SDREZ] designation including the cities of San Diego, Chula Vista and National City [Partners], and directing the Mayor to execute the necessary documents and agreements related to the application process; and

WHEREAS, on November 3, 2006, HCD awarded conditional SDREZ designation, and in a January 17, 2007 letter set forth conditions to be satisfied prior to the final SDREZ designation [Conditions]; and

WHEREAS, on September 8, 2008 City Council certified the Environmental Impact Report [EIR] No. 134663, on file in the office of the City Clerk, in order to complete this process; and

WHEREAS, the HCD permits modification of Enterprise Zone boundaries prior to final zone designation pursuant to specific circumstances; NOW, THEREFORE,

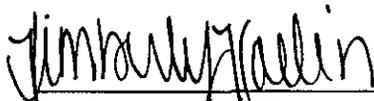
BE IT RESOLVED, by the Council of the City of San Diego, that the areas to be included in the boundary modification meet the following specific circumstances required by HCD:

- 1) An area was previously in an expired Enterprise Zone (EZ) and the benefits of the program are still needed in order to complete revitalization efforts; or
- 2) The census tract/blocks comply with HCD's eligibility criteria; and
- 3) The area does not exceed 5% of the EZ application area; and
- 4) Areas for consideration must be contiguous; and
- 5) The area meets the City's stated EZ strategic plan as submitted in the original application; and
- 6) The boundary modification is approved by resolution by the jurisdictions' governing bodies.

BE IT FURTHER RESOLVED, by the Council of the City of San Diego, that it authorizes the Mayor to submit the application to HCD modifying the boundaries of the SDREZ prior to final designation by HCD in accordance with Exhibits A and B attached to the Report on file in the Office of the City Clerk as Report R-_____.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By



Kimberly K. Kaelin
Deputy City Attorney

KKK:nda
10/13/08
Or.Dept:CP&CI
R-2009-466
MMS#6917

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of _____.

ELIZABETH S. MALAND
City Clerk

By _____
Deputy City Clerk

Approved: _____
(date)

JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor