

DATE ISSUED March 13, 2002

REPORT NO. 02-050

ATTENTION:Honorable Mayor and City Council
Docket of March 18, 2002

SUBJECT: ENTERPRISE ZONE EXPANSION

REFERENCE: Council Resolutions: R-276703, R-278656, R-279924, R-282467
R-290970.

SUMMARY

Issue - Should the City Council authorize the Manager or his designee to file documents with the California Technology Trade and Commerce Agency to expand the "Metro" and "South Bay" Enterprise Zones in accordance with regulations promulgated by the Trade Technology and Commerce Agency pursuant to state law?

Manager's Recommendation - Authorize the Manager or his designee to file documents requesting expansions of the "Metro" and "South Bay" Enterprise Zones with the California Technology Trade and Commerce Agency.

Other Recommendation- None

Environmental Impact - This activity is exempt from California Environmental Quality Act (CEQA) pursuant to State CEQA guidelines, section 15061 (b) (3).

This determination is predicated on Section 15004 of the guidelines which provides direction to lead Agencies on the appropriate timing for environmental review. Development within the Enterprise Zones will require further review under the provisions of CEQA.

Fiscal Impact - None

BACKGROUND

An Enterprise Zone is a geographically defined area in which companies doing business within the Enterprise Zone can claim significant state income tax credits for qualifying employees and expenditures. Enterprise Zones were created in California to stimulate investments in areas where investment has lagged and to make jobs available to residents in areas of high unemployment. The state of California has designated 39 Enterprise Zones, two of which are in the City of San Diego: the Metro Enterprise Zone, designated in October 1986 and the San Ysidro/Otay Mesa Enterprise Zone, designated in January 1992. Both of the City's Enterprise Zone designations were for 15 years.

In 1998, Assembly Bill 2798 authorized the California Technology Trade and Commerce Agency (Agency) to extend the life of any Enterprise Zone designated prior 1990 for an additional five years, to a total of 20 years. This extension was contingent on the Zones passing an audit conducted by the Agency and submitting an acceptable economic development plan.

On March 5, 2001, the City Council authorized (Resolution 294528) the City Manager to file an application with the Agency to extend the Metro Enterprise Zone life for five-years. On September 10, 2001, the Agency awarded the City of San Diego a five-year extension for the Metro Enterprise Zone authorizing its operation through October 14, 2006.

In January 1998, Assembly Bill 2079 was signed into law, allowing the Agency to approve the local Zone's request to expand boundaries by up to 20% of the original designated acreage. On February 7, 2001, the Agency approved the City of San Diego's request to expand the former San Ysidro/Otay Mesa Enterprise Zone to include a portion of the City of Chula Vista (577 acres), effective December 5, 2000. This inclusion left 250.25 acres of expansion capacity in the now "South Bay" Enterprise Zone.

DISCUSSION

The recent development of significant commercial/retail developments in both Council Districts 4 and 8, represented by the Imperial Marketplace, in District 4 and the Palm Promenade, in District 8, adjacent to but not in the respective Zones, have job and investment opportunities which would be enhanced by inclusion into the Enterprise Zones. The Imperial Marketplace is a 45-acre commercial/retail site which has a Home Depot as its anchor tenant. Home Depot opened for business in February 2002. It is anticipated that the Imperial Marketplace project will create approximately 1000 jobs when the remaining tenants are in place this Spring.

The Palm Promenade is a 42-acre site (which contains a Home Depot, Wal-Mart and a variety of other uses) is the most significant commercial/retail development in Otay Mesa according to the Otay Mesa Chamber of Commerce. The Palm Promenade has generated approximately 1000 jobs.

The above developments adjacent to the respective Zones represent opportunities to expand the Zone incentives to create new jobs and increase capital investment. The expansions, once requested by the City Council and approved by the Agency, will leave 95 acres and 208 acres remaining in the Metro and South Bay Enterprise Zones respectively. As there are more Enterprise Zone expansion requests than available acreage, staff intends to make recommendations for future expansions based on two criteria: 1) job creation in high unemployment areas and 2) new investment in areas which have historically lacked private investment. Expansion of the Enterprise Zones will support growth in existing businesses, and attract new businesses which seek the tax credits and other incentives available in the Enterprise Zones.

ALTERNATIVE

Do not authorize City Manager or his designee to submit documents to the Agency.

Respectfully submitted,

Approved:
BRUCE HERRING
Deputy City Manager

Submitted by:
HANK CUNNINGHAM, Director
Community & Economic Development Department

CUNNINGHAM/PWF

ATTACHMENTS:

Note: The attachment is not available in electronic format. A copy is available for review in the Office of the City Clerk.

1. Maps of Enterprise Zone(s) Expansion Area(s)