



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Paul Krutko

**SUBJECT:** See Below

**DATE:** October 1, 2007

Approved

*Deanna Antune*

Date

*10/3/07*

**COUNCIL DISTRICT:** Citywide  
**SNI AREA:** N/A

**SUBJECT: ADOPTION OF A RESOLUTION IDENTIFYING AND APPROVING THE CENSUS TRACTS WHICH COMPRISE THE TARGETED EMPLOYMENT AREA (TEA) FOR THE CITY OF SAN JOSE ENTERPRISE ZONE**

## RECOMMENDATION

- 1.) Adopt a resolution approving the boundaries of the Targeted Employment Area.
- 2.) Direct staff to submit an application on behalf of the City of San Jose to the State Department of Housing and Community Development for a Targeted Employment Area.

## OUTCOME

The adoption of this resolution will allow the City's Enterprise Zone program to continue the Targeted Employment Area incentive to create jobs for residents living in low and moderate-income San Jose neighborhoods.

## BACKGROUND

The City of San Jose is one of forty-three Enterprise Zones designated by the State of California. The Enterprise Zone includes; Downtown, Monterey Corridor, Julian-Stockton, Japantown and the Oakland Road-Berryessa industrial areas. San Jose is one of five Enterprise Zones in the Bay Area and the only Zone in Silicon Valley. The program provides state tax incentives to promote local business attraction, retention and job creation in Enterprise Zone areas. The Targeted Employment Area is a component of the Enterprise Zone program.

One of the benefits for businesses located in the Enterprise Zone is a hiring tax credit. Enterprise Zone businesses that hire individuals from certain eligibility groups receive tax credits from the

10/1/2007

**Subject:** Enterprise Zone TEA Resolution

Page 2 of 4

State Franchise Board. Companies can realize \$35,000 or more in tax credits over a five-year period for each qualified individual hired.

In 2006 Enterprise Zone businesses received 1402 vouchers for hiring eligible employees. The estimated value of the vouchers is \$49 million. Approximately 60 percent of the employees hired qualified because they live in the San Jose Targeted Employment Area. The tax credit eligibility criteria includes hiring individuals on public assistance, enrolled in the federal Workforce Investment Act (WIA) program (locally known as the work2future program), veterans, individuals with socio-economic barriers or residents living in a Targeted Employment Area.

Since the inception of the Enterprise Zone program in 1986, the City has issued over 11,300 tax credit vouchers to qualified San Jose businesses. Assuming the Enterprise Zone businesses claimed all the credits, the estimated value of the state tax credits would be \$350.3 million.

### **ANALYSIS**

In 1997 the State approved a Targeted Employment Area for San Jose's Enterprise Zone. The Targeted Employment Area was created based on information from the 1980 census. The current Targeted Employment Area is outdated and needs to be revised using the most recent census data available.

With the recent passage of Assembly Bill 1550, new Enterprise Zone jurisdictions must identify and approve by resolution new boundaries, in order to continue the Targeted Employment Area tax credit incentive for their residents residing within the boundaries of eligible census tracts. The Targeted Employment Area must include those census tracts in most need of employment targeting according to the 2000 U.S. Department of Census criteria by having at least 51% of its residents at low or moderate-income levels. The purpose of the Targeted Employment Area is to encourage businesses in the Enterprise Zone to hire eligible local residents from these low or moderate-income San Jose areas.

Staff has identified 90 eligible census tracts that meet the U.S. Department of Census criteria (see Exhibit A). Census tracts that overlap into unincorporated areas were omitted, since they include multiple jurisdictions. Only the census tracts of jurisdictions that applied for the Targeted Employment Area designation could be included in the application. To establish a Targeted Employment Area, an Enterprise Zone must submit an application to the State Department of Housing and Community Development by November 2, 2007. The application must identify the census tracts that will constitute the proposed Targeted Employment Area and demonstrate that they meet the eligibility criteria. The application must include specified documentation, such as a resolution, list of census tract numbers (see Exhibit A) and a map of the Targeted Employment Area (see Exhibit B). Businesses in the Enterprise Zone that hire residents who live in the shaded areas on the map can receive \$35,000 or more in tax credits. The census tracts that do not qualify for inclusion in the Targeted Employment Area application are shown in white.

### **EVALUATION AND FOLLOW-UP**

Staff will follow-up in an information memorandum to Council on the final outcomes of the San Jose's Targeted Employment Area application. The State Housing and Community Department are expected to approve Targeted Employment Area designations before the end of 2007. Letters will be sent to participating Enterprise Zone businesses and Community Based Organizations on the approved Targeted Employment Area boundaries.

### **PUBLIC OUTREACH/INTEREST**

The new Targeted Employment Area information has been discussed with businesses and community based partner organizations. The information has been posted on the OED website.

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

\*\*This item does not meet the criteria in the sections above.

### **COORDINATION**

This memorandum has been coordinated the City Attorney's Office and the Redevelopment Agency.

### **FISCAL/POLICY ALIGNMENT**

The designation of the Targeted Employment Area in San Jose will advance the priorities of the City's Economic Development Strategy and is aligned with the following Strategic Initiative:

- #5 Support Start-up and Growth of Local Business, in Tech as well as Non-Tech Fields
- #8 Diversify San Jose's Economic Base and Preserve/ Create Middle Class Jobs

### **COST SUMMARY/IMPLICATIONS**

No costs are associated with the Targeted Employment Application.

HONORABLE MAYOR AND CITY COUNCIL

10/1/2007

**Subject:** Enterprise Zone TEA Resolution

Page 4 of 4

### FISCAL IMPACTS

The Enterprise Zone program requires staff time and resources to market the program and provide tax credit vouchers to businesses. The additional costs associated with the Enterprise Zone program is the (Senate Bill 1097) state mandated - \$10.00 administrative fee required for each tax credit voucher issued to businesses. In September 2004, Council authorized the City Manager to allocate funds from the OED budget to cover the cost of the fee on behalf of San Jose Businesses. The administrative fee paid in 2006 was \$14,020.00. After the new Enterprise Zone and TEA are finalized in 2008, staff will explore other options to offset the state administrative voucher fee and report back to Council.

### CEQA

Not applicable.



PAUL KRUTKO  
Chief Development Officer

For questions please contact Yolanda Lee, ENTERPRISE ZONE MANAGER at X58191

*Attachments*

## EXHIBIT A

Census Data Sets For Targeted Employment Area

Census Tract Number	Median Household Income in 1999 (County)	Number of Households (Total)	Number of Households with Less than Median Household Income	% of Households at or Below low to moderate levels
06085500100	\$74,335	1,520	1,183	77.8%
06085500200	\$74,335	1,547	1,114	72.0%
06085500300	\$74,335	685	544	79.4%
06085500400	\$74,335	1,038	672	64.7%
06085500500	\$74,335	1,918	997	52.0%
06085500600	\$74,335	1,743	894	51.3%
06085500800	\$74,335	822	652	79.3%
06085500901	\$74,335	1,374	1,053	76.6%
06085500902	\$74,335	678	590	87.0%
06085501000	\$74,335	2,085	1,840	88.2%
06085501100	\$74,335	2,520	1,766	70.1%
06085501200	\$74,335	1,356	992	73.2%
06085501300	\$74,335	1,244	755	60.7%
06085501400	\$74,335	1,787	1,392	77.9%
06085501501	\$74,335	1,056	814	77.1%
06085501502	\$74,335	986	727	73.7%
06085501600	\$74,335	2,358	1,969	83.5%
06085501700	\$74,335	1,279	964	75.4%
06085501800	\$74,335	1,670	1,039	62.2%
06085501900	\$74,335	1,397	1,178	84.3%
06085502102	\$74,335	2,492	1,726	69.3%
06085502201	\$74,335	2,533	1,937	76.5%
06085502300	\$74,335	2,600	1,428	54.9%
06085502602	\$74,335	3,241	1,875	57.9%
06085502901	\$74,335	2,126	1,159	54.5%
06085502909	\$74,335	2,034	1,144	56.2%
06085502910	\$74,335	1,321	815	61.7%
06085503002	\$74,335	1,288	692	53.7%
06085503103	\$74,335	3,054	2,388	78.2%
06085503105	\$74,335	553	465	84.1%
06085503106	\$74,335	2,364	1,656	70.1%
06085503110	\$74,335	969	798	82.4%
06085503111	\$74,335	1,124	658	58.5%
06085503112	\$74,335	895	632	70.6%
06085503113	\$74,335	1,147	893	77.9%
06085503116	\$74,335	1,615	841	52.1%
06085503210	\$74,335	925	520	56.2%
06085503213	\$74,335	1,204	895	74.3%
06085503217	\$74,335	1,038	738	71.1%
06085503218	\$74,335	1,097	754	68.7%
06085503304	\$74,335	1,718	1,295	75.4%
06085503305	\$74,335	1,464	842	57.5%
06085503306	\$74,335	864	567	65.6%
06085503317	\$74,335	1,790	943	52.7%
06085503401	\$74,335	1,000	590	59.0%
06085503402	\$74,335	1,027	706	68.7%
06085503504	\$74,335	1,100	624	56.7%
06085503506	\$74,335	1,238	679	54.8%
06085503507	\$74,335	394	236	59.9%
06085503510	\$74,335	1,311	732	55.8%

## EXHIBIT A

### Census Data Sets For Targeted Employment Area

Census Tract Number	Median Household Income in 1999 (County)	Number of Households (Total)	Number of Households with Less than Median Household Income	% of Households at or Below low to moderate levels
06085503511	\$74,335	821	457	55.7%
06085503601	\$74,335	877	747	85.2%
06085503602	\$74,335	1,161	825	71.1%
06085503702	\$74,335	1,714	1,271	74.2%
06085503703	\$74,335	867	565	65.2%
06085503706	\$74,335	2,148	1,826	85.0%
06085503707	\$74,335	1,377	836	60.7%
06085503708	\$74,335	729	471	64.6%
06085503709	\$74,335	1,540	1,240	80.5%
06085503900	\$74,335	2,201	1,411	64.1%
06085504002	\$74,335	1,071	583	54.4%
06085504318	\$74,335	1,409	1,075	76.3%
06085504602	\$74,335	535	359	67.1%
06085505005	\$74,335	2,266	1,179	52.0%
06085505100	\$74,335	810	541	66.8%
06085505203	\$74,335	785	521	66.4%
06085505700	\$74,335	2,272	1,570	69.1%
06085505800	\$74,335	1,631	933	57.2%
06085505900	\$74,335	3,056	1,822	59.6%
06085506203	\$74,335	2,477	1,409	56.9%
06085506204	\$74,335	2,129	1,092	51.3%
06085506304	\$74,335	1,895	1,173	61.9%
06085506305	\$74,335	2,533	1,776	70.1%
06085506401	\$74,335	1,358	931	68.6%
06085506402	\$74,335	2,253	1,518	67.4%
06085506501	\$74,335	2,511	1,804	71.8%
06085506601	\$74,335	1,629	966	59.3%
06085506605	\$74,335	1,553	844	54.3%
06085506606	\$74,335	1,666	986	59.2%
06085506803	\$74,335	2,438	1,248	51.2%
06085511901	\$74,335	2,886	1,583	54.9%
06085512016	\$74,335	3,239	1,896	58.5%
06085512017	\$74,335	1,993	1,036	52.0%
06085512018	\$74,335	2,345	1,507	64.3%
06085512020	\$74,335	2,293	1,318	57.5%
06085512022	\$74,335	1,825	1,291	70.7%
06085512023	\$74,335	1,918	1,216	63.4%
06085512024	\$74,335	1,305	689	52.8%
06085512100	\$74,335	539	316	58.6%
06085512304	\$74,335	2,689	1,613	60.0%

## Exhibit B

### Census Tracts For The San Jose Target Employment Area

