

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, APRIL 10, 2012**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, April 10, 2012, commencing at 7:25 a.m.

Present: Council Member Hansen, Council Member Johnson, Council Member Katzakian, Mayor Pro Tempore Nakanishi, and Mayor Mounce

Absent: None

Also Present: City Manager Bartlam, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 Receive Presentation on San Joaquin County Enterprise Zone (CD)

Fran Aguilera of the San Joaquin County Enterprise Zone provided a brief PowerPoint presentation regarding the same. Specific topics of discussion included the history of the enterprise zone, an overview of enterprise zones, purpose of the California enterprise zone program, benefits of enterprise zones, hiring tax credits, targeted employment area (TEA), incentive benefits, annual report, presentations and workshops, zone attraction and retention, business contacts, hiring vouchers, return on investment, benefiting businesses, 2011 expansion into Ripon and Escalon, and enterprise zone partners.

In response to Council Member Johnson, Mr. Aguilera stated the 36% unemployment figure represents the cumulative unemployment number based on the most distressed areas in the zone.

In response to Council Member Hansen, Mr. Bartlam stated the 36% unemployment figure is representative of the worst areas within the shown mapped area of the County.

In response to Council Member Hansen, Mr. Aguilera stated the use tax credit for machinery and replacement parts is primarily applicable in the manufacturing industry, is used when equipment is brought in for use from outside of California, and is the equivalent of sales tax.

In response to Mayor Mounce, Mr. Aguilera stated staff is continuing its communication efforts with accounting firms and businesses in an attempt to get more businesses to take the actual credit.

In response to Council Member Hansen, Mr. Aguilera stated a business may be able to receive the TEA credit if it hires an employee with a misdemeanor or felony background.

In response to Mayor Mounce, Mr. Aguilera stated the City should continue to be concerned about the elimination of the TEA program at the Sacramento level.

In response to Mayor Mounce, Mr. Aguilera stated there are many ways to qualify for the credit but it can be as simple as providing a statement in the required documentation.

In response to Council Member Hansen, Mr. Aguilera stated those who are participating in the enterprise zone programs and receiving the tax credits are not taking away from those who are not in enterprise zones as the program is an incentive for those areas that traditionally are not as

attractive for businesses.

In response to Mayor Pro Tempore Nakanishi, Mr. Aguilera stated the program provides a five-year tax credit for qualifying businesses, each City pays proportionately for the enterprise zone, and the San Joaquin enterprise zone is a County agency.

In response to Council Member Katzakian, Mr. Aguilera stated there are 42 enterprise zones in the State of California, including several in surrounding counties, and the program is highly competitive because it is based on a points structure.

In response to Council Member Johnson, Mr. Aguilera stated there is a concern that if there is a two-thirds control of the Legislature by either party then enterprise zones may be eliminated because the Legislature has a tendency to vote along party lines.

In response to Mayor Pro Tempore Nakanishi, Mr. Aguilera confirmed that the two-thirds requirement comes into play because the removal of a tax credit is considered a tax increase, which requires a two-thirds vote.

In response to Ed Miller, Mr. Aguilera stated the tax credit per qualifying employee is approximately \$37,500.

In response to Sam Karufa, Mr. Aguilera stated contractors may use the tax credit but only if more than 50% of the work is being performed in the zone on an annual basis.

Ray Crow of the Chamber of Commerce commended the staff of the San Joaquin County Enterprise Zone on its efforts to communicate the benefits of the program to local businesses.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:15 a.m

ATTEST:

Randi Johl
City Clerk



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Receive Presentation on San Joaquin County Enterprise Zone
MEETING DATE: April 10, 2012
PREPARED BY: City Manager

BACKGROUND INFORMATION: Lodi became part of the San Joaquin County Enterprise Zone on June 22, 2008. All industrial properties and nearly all commercial properties are included in the zone. The major benefits to businesses located in the enterprise zone are the State tax incentives for hiring qualifying employees and purchasing new manufacturing equipment. The tax benefits last for 15 years.

The City of Lodi paid \$21,464 in the current budget year to support the County's marketing efforts, which have helped to create a significant number of jobs for the community while reducing costs for businesses.

Fran Aguilera, manager for the San Joaquin County Enterprise Zone, will brief the Council on the Enterprise Zone's accomplishments and other issues regarding the zone's future.

A handwritten signature in black ink, appearing to read "Konradt Bartlam", written over a horizontal line.

KONRADT BARTLAM
City Manager

APPROVED:

A handwritten signature in black ink, appearing to read "Konradt Bartlam", written over a horizontal line.

Konradt Bartlam, City Manager

San Joaquin County Enterprise Zone

Lodi City Council

April 10, 2012



SAN JOAQUIN COUNTY
ENTERPRISE ZONE

San Joaquin County ● Stockton ● Lathrop ● Tracy ● Manteca ● Lodi ● Ripon ● Escalon
● Economic Development Association ● SJ Partnership

History of Stockton/San Joaquin County Enterprise Zone

- 2008 the Zone expired after 15 years
- 29 Square miles central & South Stockton
- Helped create about 25,000 jobs
- In today's dollars about 1 billion in tax credits for local businesses
- Very successful collaboration between San Joaquin County and Stockton



SAN JOAQUIN COUNTY
ENTERPRISE ZONE

New San Joaquin County EZ

- Only 42 Zones State wide
- 2007 Competition for new designation
- County joined forces with the cities of Lodi Stockton, Manteca, Tracy & Lathrop to apply for new Zone
- 656 Square Miles
- We won designation until 2023



SAN JOAQUIN COUNTY
ENTERPRISE ZONE

Purpose of the California Enterprise Zone program

- Stimulate business and industrial growth in economically challenged areas of the State
 - San Joaquin County Eligible Area
 - 2007 Over 17% Unemployment **now 36%**
 - 2007 Over 25% of the household at or below poverty level income **now 10,500 families**
- Create increased job opportunities



SAN JOAQUIN COUNTY
ENTERPRISE ZONE

What are the Enterprise Zone Benefits?

- **Hiring Tax Credit**
- **Sales and Use Tax Credit**
- Business Expense Deduction
- Net Interest Deduction for Lenders
- Net Operating Loss Carryover



SAN JOAQUIN COUNTY
ENTERPRISE ZONE

Enterprise Zone Hiring Tax Credit

- Prior to being hired, the employee must qualify under just one of the following:
 - Economically disadvantaged
 - A qualified Veteran: Vietnam era, separated in last 48 months, service connected disabled
 - Resident of a Targeted Employment Area (TEA)
 - Disabled



SAN JOAQUIN COUNTY
ENTERPRISE ZONE

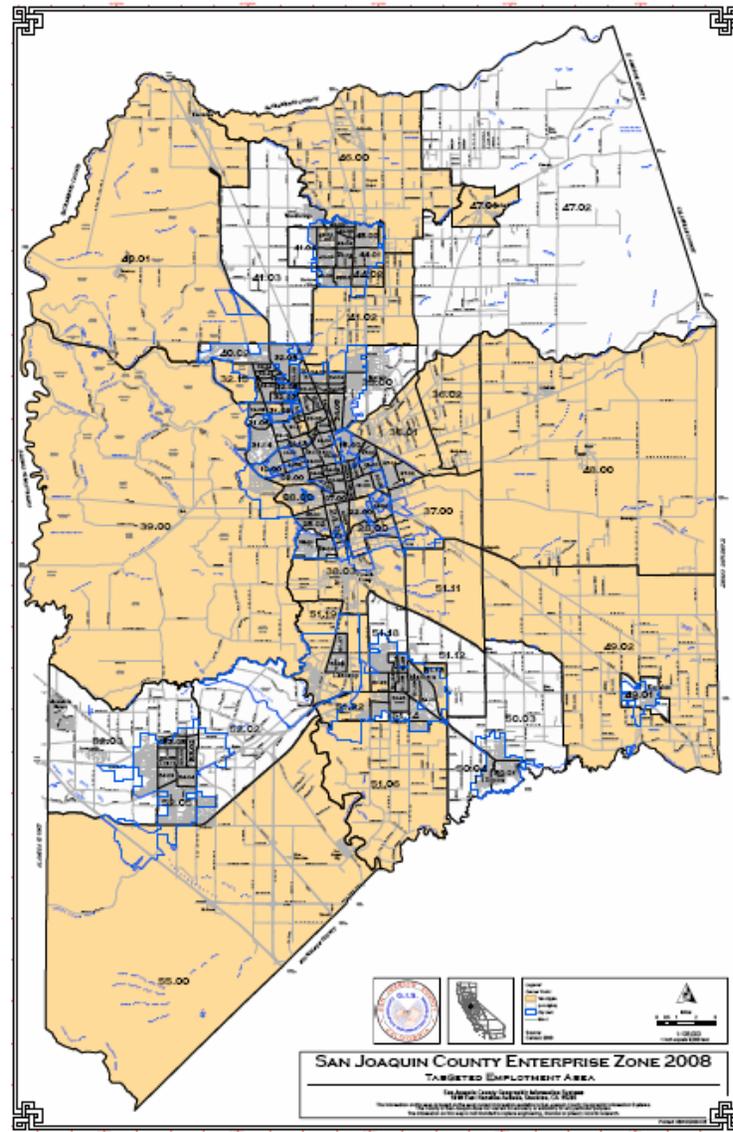
Enterprise Zone Hiring Tax Credit

- An ex-offender (misdemeanor, felony)
- A qualified displaced worker
- Enrolled in WIA, Calworks, WOTC (Work Opportunity Tax Credit)
- Received public assistance such as food stamps, welfare, etc.
- Native American Indian, Hawaiian, Samoan



SAN JOAQUIN COUNTY
ENTERPRISE ZONE

Targeted Employment Area (TEA)



Enterprise Zone Incentive Benefits

Hiring Credit Misconceptions

- “We don’t hire anyone who qualifies”
- “We don’t hire entry level employees”
- “We’re not a manufacturer”
- “The employees don’t live in the EZ”
- “We’re already taking the credits”



SAN JOAQUIN COUNTY
ENTERPRISE ZONE



SAN JOAQUIN COUNTY
ENTERPRISE ZONE

ANNUAL REPORT
FY 2010 - 2011

Report issued by: San Joaquin County Enterprise Zone
56 S. Lincoln Street, Stockton CA, 95203
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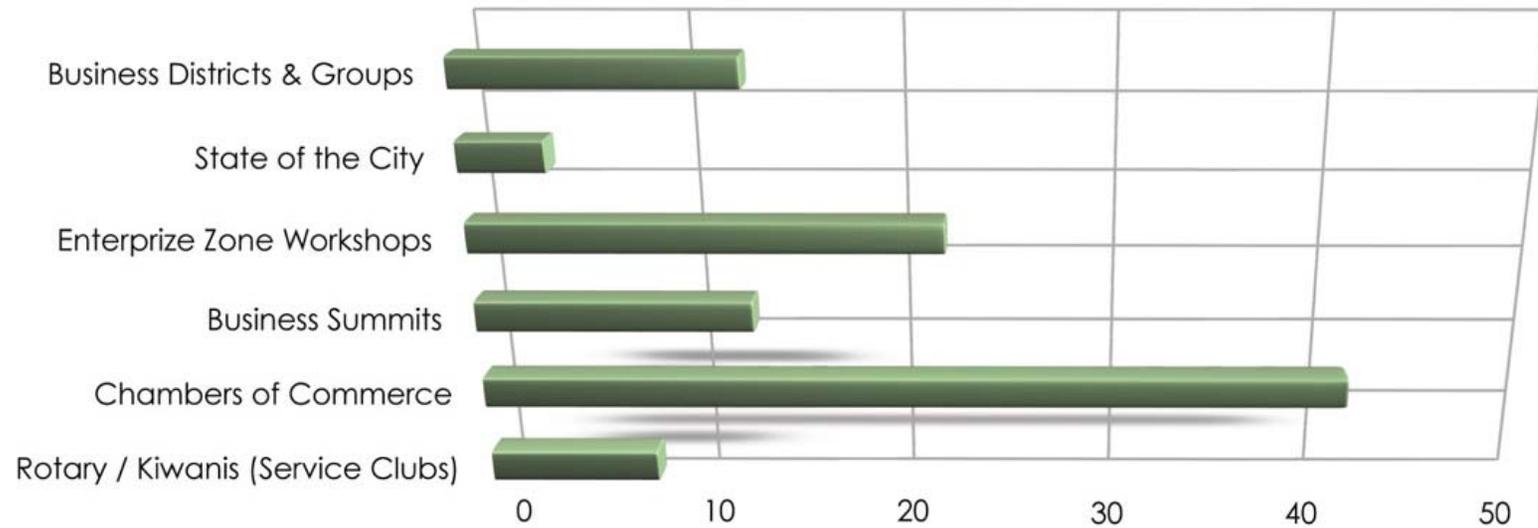
Incentives to Grow Business

- Over 800 San Joaquin County Business hired eligible workers
- 10,099 new employees hired
- 3760 businesses contacted
- Over 100 presentations and workshops



SAN JOAQUIN COUNTY
ENTERPRISE ZONE

Presentations & Workshops by EZ Specialists FY 2010 - 2011 Events: 101



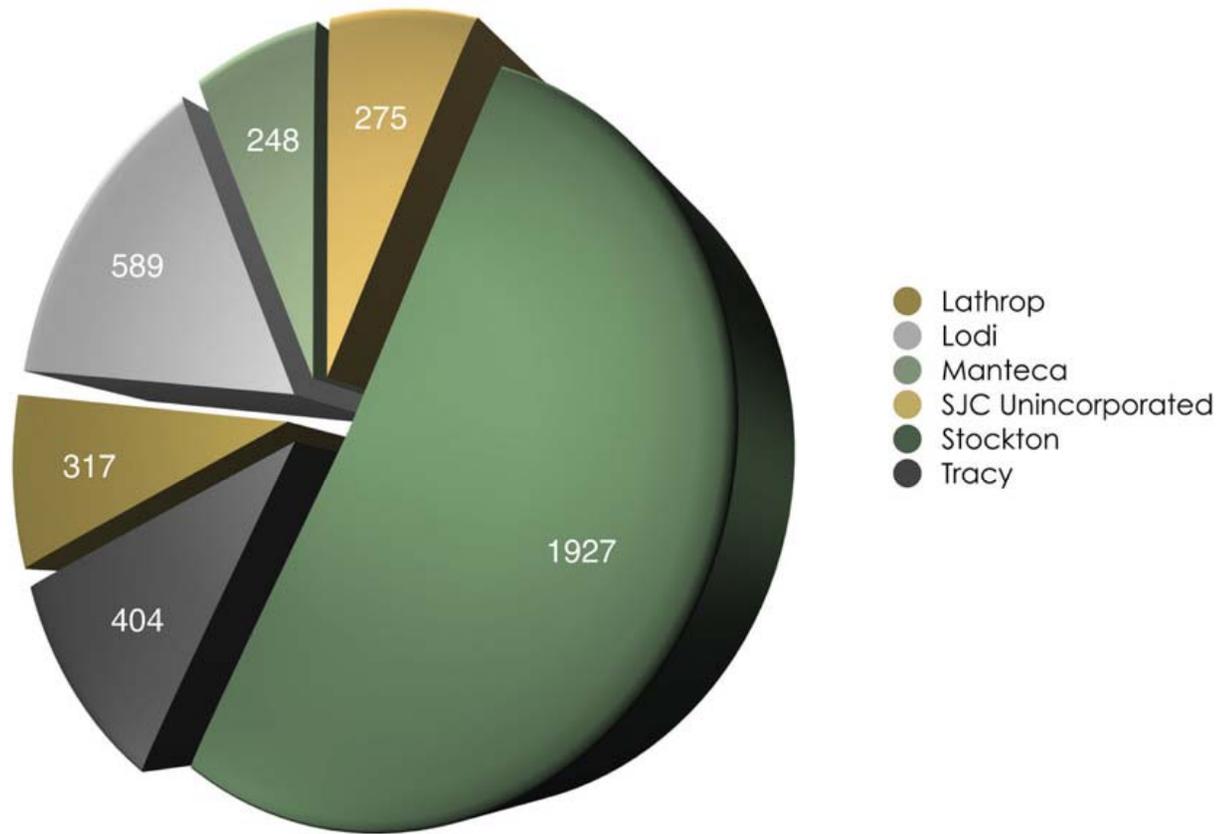
ZONE ATTRACTION AND RETENTION

1,310 NEW JOBS/130 RETAINED JOBS

The San Joaquin Partnership markets the Enterprise Zone to businesses looking to locate and/or expand in San Joaquin County. Last year the Partnership assisted eight companies by attracting 1,310 new jobs and retaining 130 jobs. One of these companies specifically chose its location to take advantage of the Enterprise Zone expansion area.



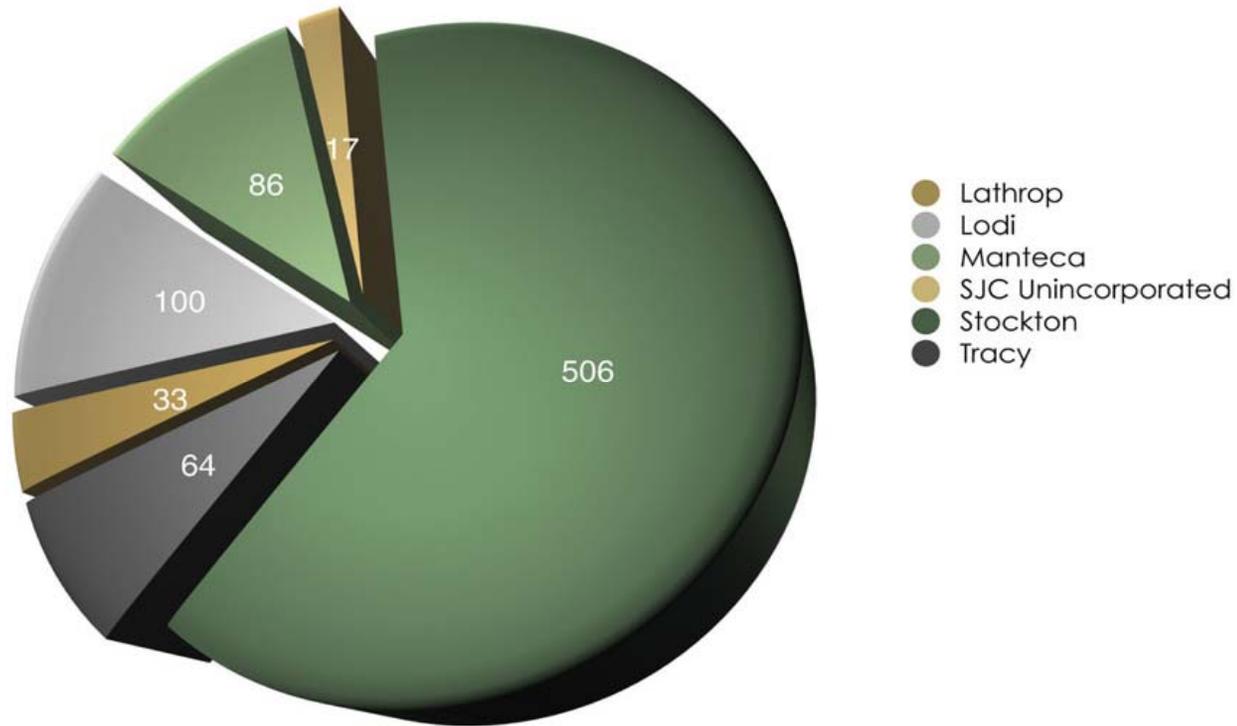
SAN JOAQUIN COUNTY
ENTERPRISE ZONE



2010 - 2011 Business Contacts by EZ Specialists
3,760 Contacts Total

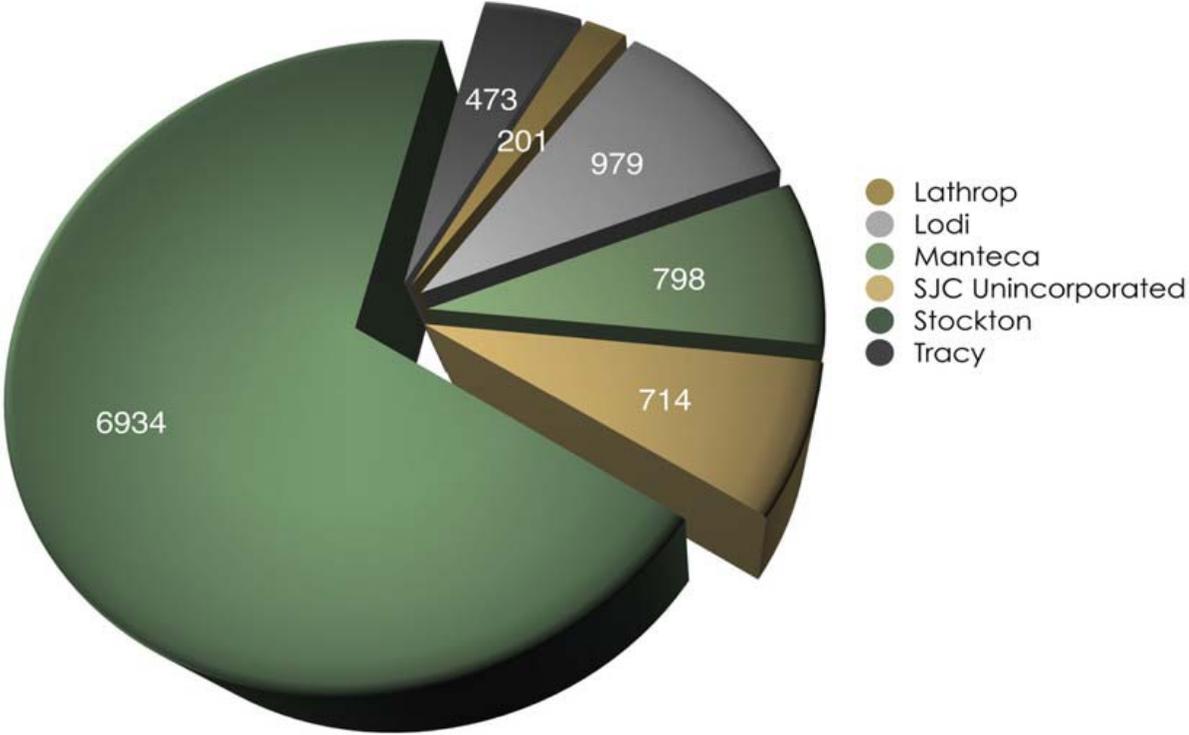
TAX CREDIT HIRING VOUCHERS

Many companies submitted applications in response to on-going outreach activities.



Employers by City • FY 2010 - 2011
Total 806

Voucher processing staff experienced a 16% rise in applications this period.



Vouchers by City • FY 2010 - 2011
Total 10,099

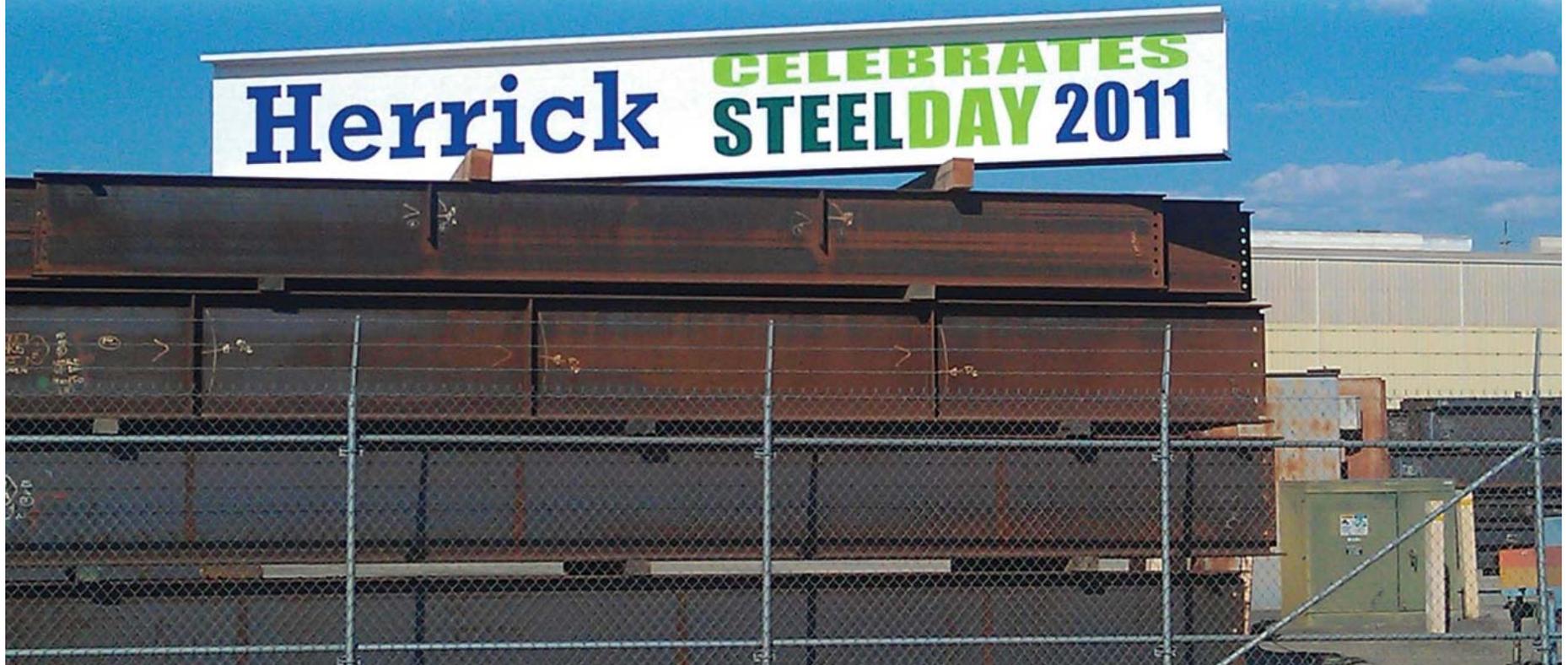
RETURN ON INVESTMENT

For Fiscal Year 2010-11, Enterprise Zone new hires included over 10,099 persons from targeted demographics. The fundamental goal of an Enterprise Zone is to provide work opportunities for individuals with significant barriers to employment. Many of the eligibility categories for Hiring Credits include individuals who rely on public or government-funded assistance to help meet their basic needs. By hiring individuals in these categories, employers create a positive “return-on-investment” for California, lessening the strain on already over-taxed public systems.

Approved Vouchers by Eligibility Category	Jul-10 - Jun-11
Resident of Targeted Employment Area (high poverty areas)	8,960
Dislocated Worker <i>(recently laid off and receiving or have exhausted Unemployment Benefits)</i>	46
Vietnam Era/Recently Separated Veteran	31
Native American, Samoan, Hawaiian	6
Workforce Investment Act services <i>(recently laid off or long term unemployed or economically disadvantaged)</i>	47
Work Opportunity Tax Credit <i>(food stamp recipient, long term financial aid, disabled veteran)</i>	367
Economically Disadvantaged <i>(family earning at or below poverty levels)</i>	451
Ex-Offender <i>(ex-convict sentenced to jail or parole)</i>	160
Public Assistance/CalWorks <i>(food stamp recipient, cash aid, welfare-to-work participant)</i>	31

HERRICK STEEL

In the past year, Stockton company Herrick Steel purchased over \$3 million in new manufacturing equipment and anticipates further investments of more than \$3 million in the coming year. In 2011, they hired 78 new workers, many of them union jobs. As president Doug Griffin said, “These investments are possible through the Enterprise Zone benefits.”



COTTAGE BAKERY

One of the largest employers in Lodi, California, Cottage Bakery hired 71 Enterprise Zone qualified employees for FY 2010-11. Enterprise Zone benefits help maintain quality staffing levels during these competitive economic times.

THE WINE GROUP

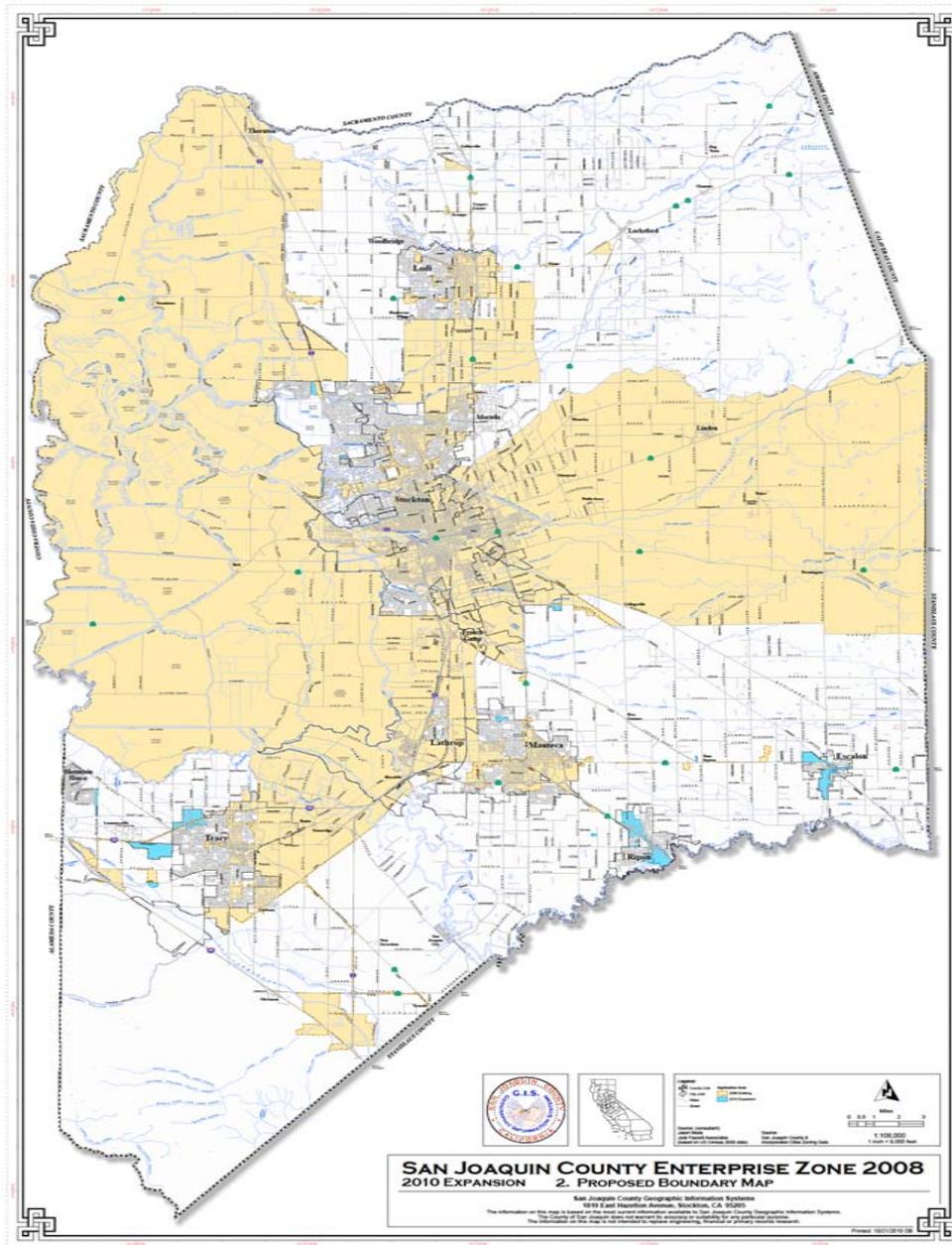
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Kris Mesker, Vice President of Human Resources, states, "Credits from the Enterprise Zone program contributed to enabling the company to expand its activities, and add new permanent positions at all three San Joaquin County locations in each of the last four years."



DIAMOND PET FOODS

Diamond Pet Foods is a leading manufacturer of super premium, nutritious and natural pet foods; and is the choice of top breeders, kennel owners, sporting enthusiasts, and family pet owners world-wide. Headquartered in Missouri, they located their first West Coast plant in Lathrop, Ca. approximately 12 years ago. When they decided to expand their operations in 2010 they chose a location in the City of Ripon which was, at the time, in the process of joining the San Joaquin County Enterprise Zone. Mark Schell, Executive VP Manufacturing, is quick to note, "The expansion of the San Joaquin County Enterprise Zone was one of the contributing factors on why we decided to locate our second West Coast plant in Ripon. This plant will employ around 120 people once it is fully operational. The construction phase has brought over 200 jobs to the area. The plant should be operational in the first quarter of 2012."



2011 Expansion

Ripon & Escalon

New Zone June 2008 to June 2011

- 7848 Business Contacts
 - Connie and Ed show
- Over 18,622 Hiring Tax Credit Vouchers
- Potential Tax Credit Generated for local Businesses to reinvest in San Joaquin County

• **\$698,000,000**



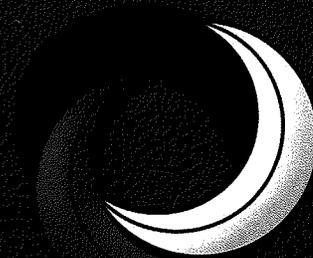
SAN JOAQUIN COUNTY
ENTERPRISE ZONE

ENTERPRISE ZONE PARTNERS



SAN JOAQUIN PARTNERSHIP





ENTERPRISE ZONE

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BUILDING MOMENTUM

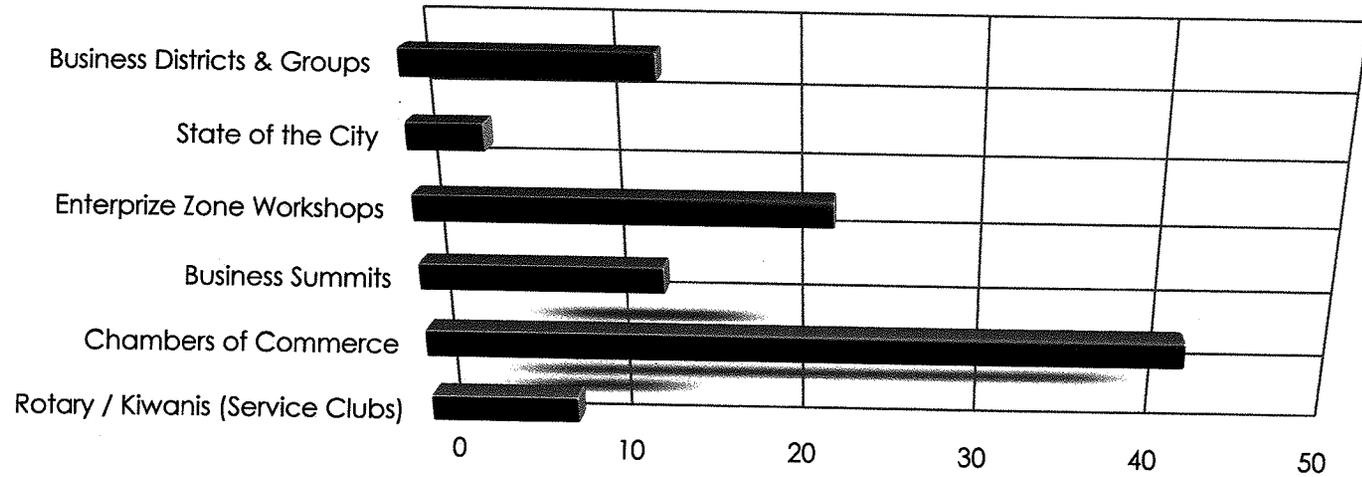
The San Joaquin County Enterprise Zone continues its momentum as we complete the third year of our 15-year designation. Enterprise Zone staff increased marketing contacts and exceeded annual goals. This resulted in an increase in Hiring Tax Credit Voucher applications activity. Over 800 San Joaquin County businesses received approved Vouchers, which total 10,099 new employees hired. This is a significant increase over last year. EZ Specialists completed 3,760 business contacts, exceeding their 2,500 annual goals.

EZ Specialists completed over 100 presentations and workshops to business groups last year. During this economic downturn, EZ business groups were eager to receive up-to-date Enterprise Zone information as a business retention resource.

The Enterprise Zone partnership continues to flourish with all cities within the Zone, including EZ participation in city events, economic summits, and frequent visits between EZ Specialists and city officials. A strong and active partnership with the local Chambers of Commerce continues to support the program. The Enterprise Zone display booth has been fine-tuned to provide immediate information access at local business events, including new backdrop banners and current marketing materials.

Presentations & Workshops by EZ Specialists

FY 2010 - 2011 Events: 101



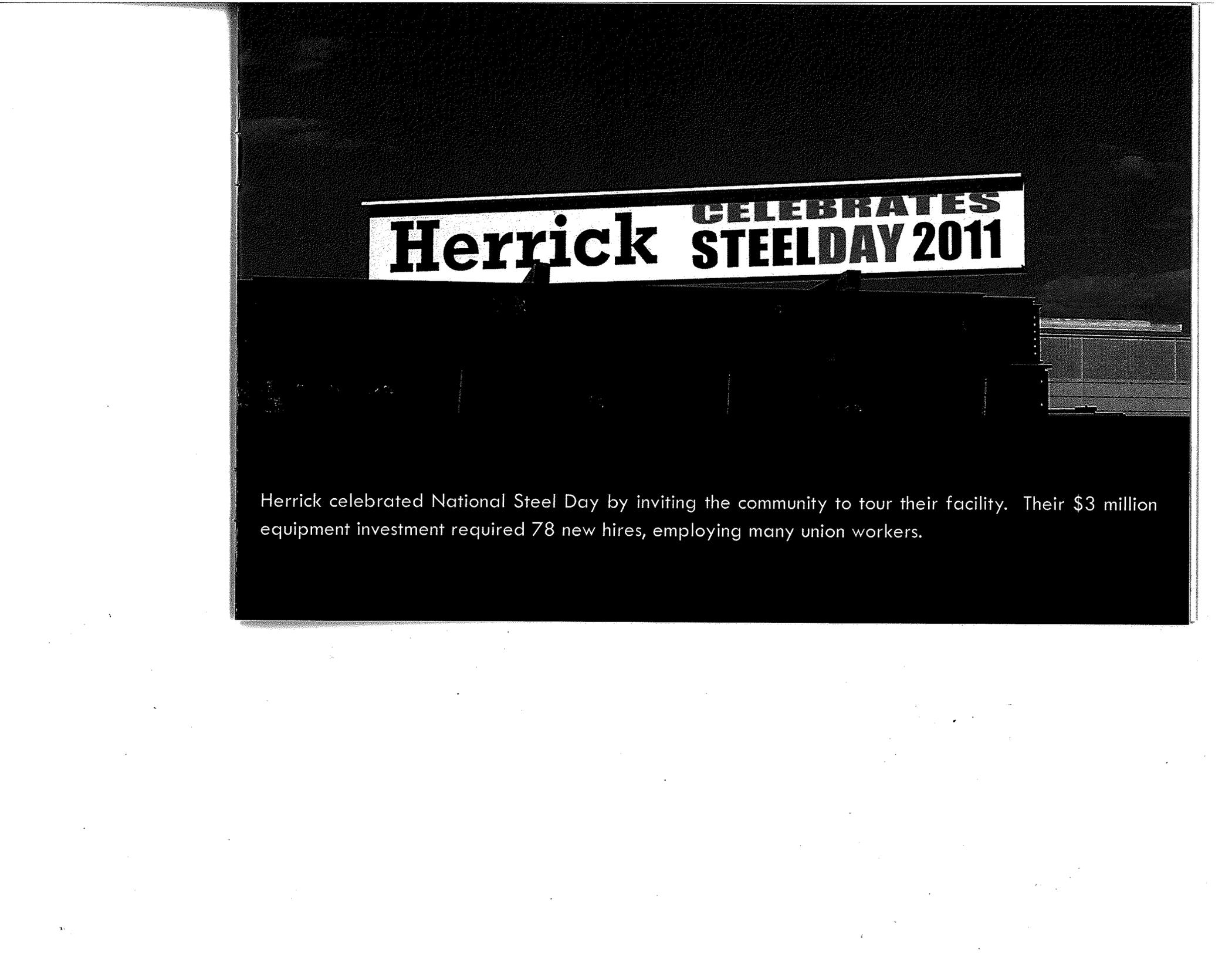
CUSTOMER SERVICE

The Enterprise Zone website provides updated features responsive to community requests. We are constantly improving our web presence to provide added support for our EZ businesses. If you want to confirm an address in the Enterprise Zone, Targeted Employment Area, or need to find a bank to finance your business, SJCEZ.ORG provides the most current tools to help your business.

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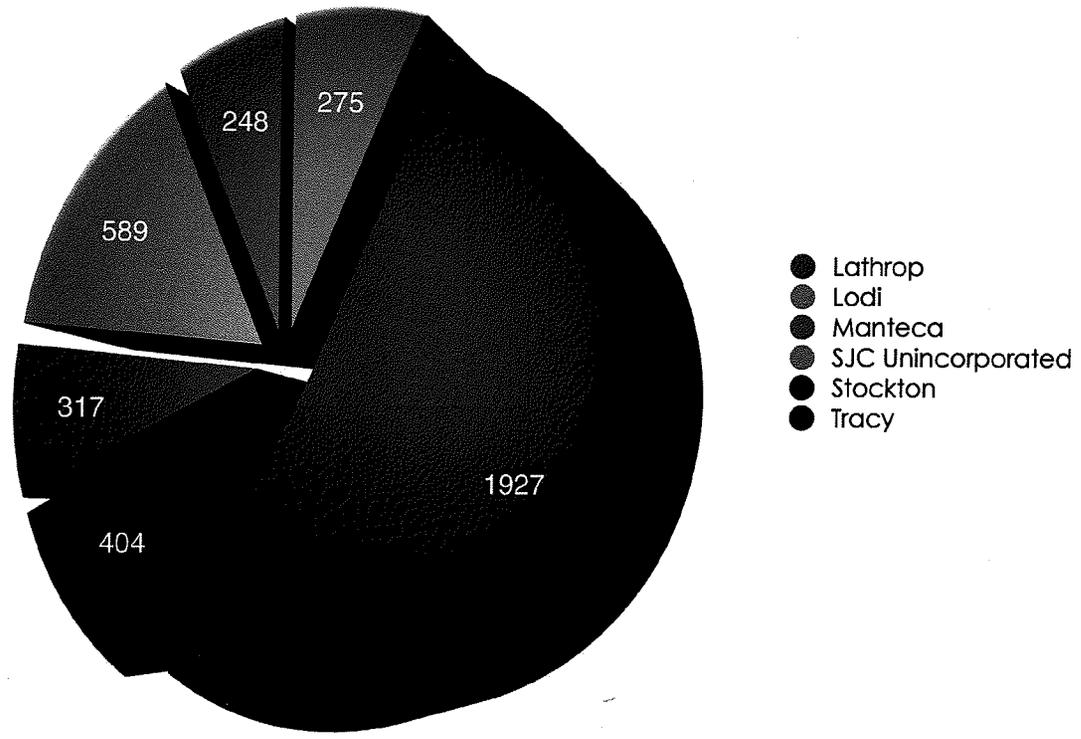
Herrick CELEBRATES
STEELDAY 2011

Herrick celebrated National Steel Day by inviting the community to tour their facility. Their \$3 million equipment investment required 78 new hires, employing many union workers.

VISITING OUR EZ BUSINESSES

3,760 CONTACTS

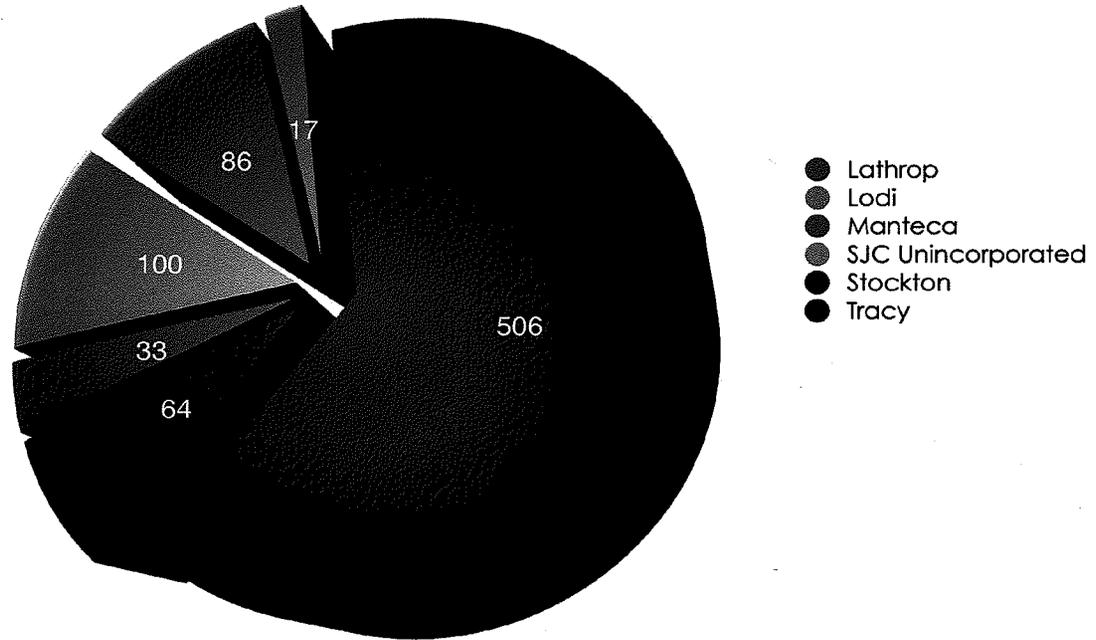
The third year in San Joaquin County's Enterprise Zone shows strong outreach activity conducted by two specialists covering all participating cities. Outreach activities are often coordinated to include joint site visitations with City representatives.



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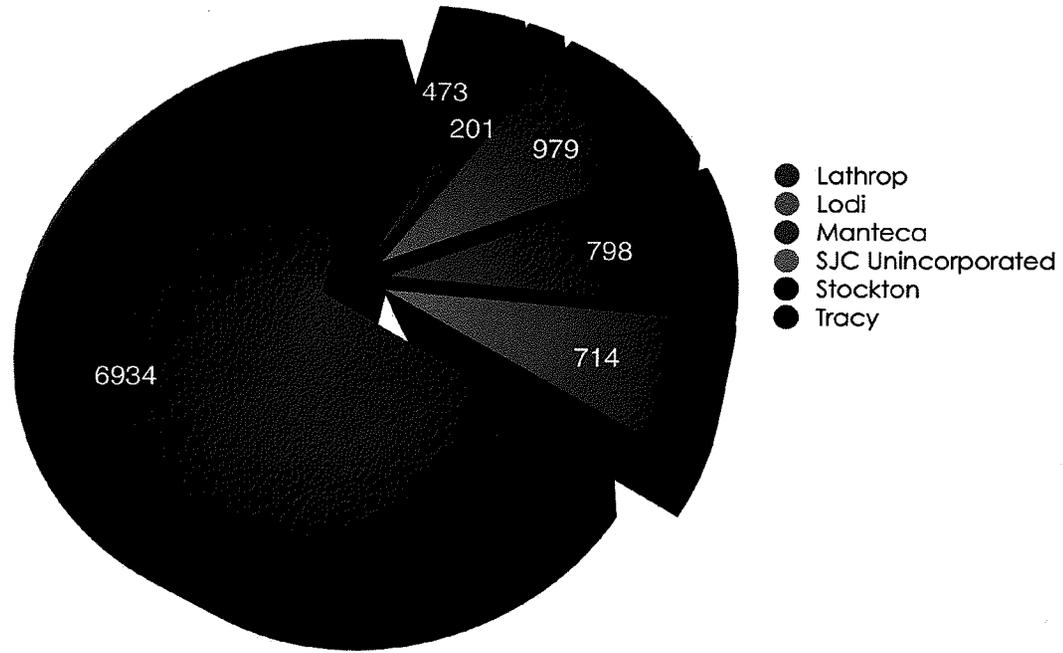
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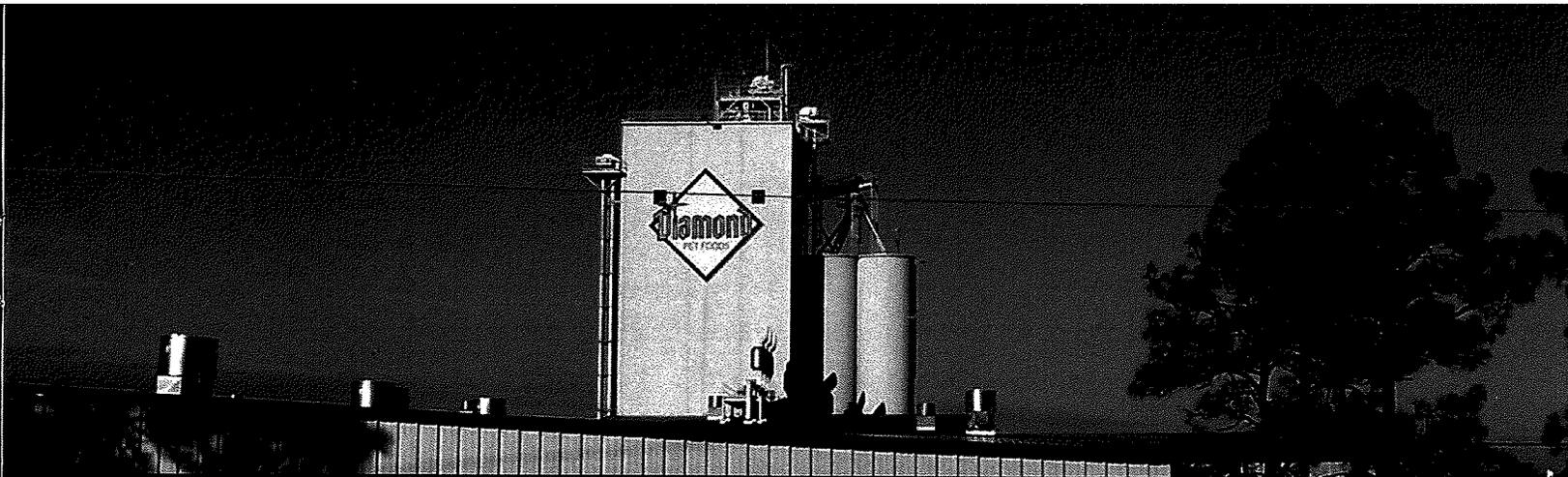
COMPANY PROFILES

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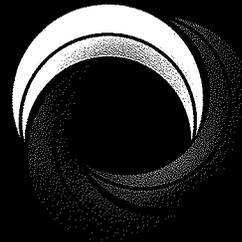
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ENTERPRISE ZONE PARTNERS



CONTACT INFORMATION

John Solis, *Executive Director* • 209.468.3500
Fran Aguilera, *Zone Administrator* • 209.468.3512
Nicole Wells, *Vouchering* • 209.468.3513
Connie Rill, *Zone Specialist* • 209.468.3529
Ed Wanket, *Zone Specialist* • 209.468.3613



SAN JOAQUIN COUNTY
ENTERPRISE ZONE

Employment & Economic Development Department

56 S. Lincoln Street, Stockton CA, 95203

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