Pasadena Enterprise Zone Annual Report Fiscal Year 2008 / 2009



I. Enterprise Zone Program Overview

The Pasadena Enterprise Zone Program is a State of California Economic Development designation that stimulates business and industrial growth in depressed areas of the State by relaxing regulatory controls that impede private investment through tax incentives offered at the State level. Each 15-year Enterprise Zone designation is competitively awarded to any city or county that submits an application to the State that demonstrates the more appropriate, innovative, and comprehensive regulatory tax program, and other incentives in attracting private sector investment to that Enterprise Zone. The City of Pasadena was first awarded an Enterprise Zone designation on April 10, 1992, which expired on April 9, 2007. Pasadena successfully applied for and became the fifth city to receive a new Enterprise Zone designation on April 10, 2007, which covers 1,982 acres or 90% of the commercially and industrially zoned Pasadena properties.

Overall the City of Pasadena has a commitment to continuously market the Enterprise Zone Program to Pasadena companies, monitor the application of the local incentives to companies located within the Enterprise Zone Business Development Area (EZBDA) and Enterprise Zone Technology Development Area (EZTDA), and engage in business retention and attraction activities within the Zone. The following annual report summarizes the progress and accomplishments of the Pasadena Enterprise Zone for Fiscal Year 2008 / 2009.

II. Legislative Impacts

During Fiscal Year 2008 / 2009, the Enterprise Zone Program faced scrutiny from the State Assembly and the Office of Management and Budget due to the State's fiscal emergency, declared by Governor Schwarzenegger on January 1, 2009. Two bills in particular that threatened the livelihood of the Enterprise Zone Program were Assembly Bill (AB) 35 and AB 1139. AB 35, introduced on September 5, 2008, intended to suspend the Enterprise Zone Program starting on January 1, 2009 until indefinitely. The second bill, AB 1139 sought to eliminate the Targeted Employment Area criteria from the Hiring Credit Program and require that employees work at least 35 hours a week and that the employer absorb at least 80% of the costs of health care coverage.

With lobbying efforts from the Pasadena City Manager's Office, California Association of Enterprise Zones, and key stakeholders throughout California, these two bills did not pass. However, the Enterprise Zone Program is still under scrutiny will continue to face opposition in Fiscal Year 2009 / 2010.

III. State Tax Incentives

The Enterprise Zone Program offers five various state tax incentives to qualified companies. The main incentive that requires City administration is the Hiring Credit Program. Through this Program, a company can receive a five-year State tax credit, potentially up to \$37,000, for each employee that meets one of the twelve qualifying program criteria. To receive this credit, companies must submit an application to the City for review, processing, and obtain a Hiring Credit Voucher Certificate. Below is a summary of data collected through the application process:

- 196 Pasadena companies utilized the Hiring Credit Program; 111 or 57% of those companies were first time users of the Hiring Credit Program;
- The Pasadena Enterprise Zone processed 1,567 voucher applications; which is a 56% increase in voucher applications processed from fiscal year 2007 / 2008;
- Of the 1,567 vouchers processed, 388 were newly created positions and 1,179 were previously created positions; and
- The Enterprise Zone generated \$143,993 from voucher fees¹.

¹ Pasadena charges \$102 to process each Enterprise Zone application. Of this \$10 goes to the State Department of Housing and Community Development and \$92 is deposited into the General Fund.

A. Employment Positions

Of the 1,567 Hiring Credit Vouchers Issued, the average wage per hour was \$11.12. Of the types of positions filled by Hiring Credit eligible employees, the positions by type are as follows:

Position by Type	Percent
Clerical / Sales / Customer Service	46%
Management	3%
Production / Manufacturing	33%
Restaurant	10%
Technical / Medical	8%

8% 10% 46% 33%

Employment Positions

B. Local Hiring

Although the Enterprise Zone Program does not require employers to hire local residents, the Pasadena database is able to tract how many are hired from the Pasadena area.

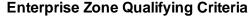
Pasadena Zip Code	Percent
91101	19%
91103	36%
91104	31%
91105	1%
91106	10%
91107	3%

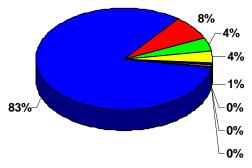


C. Qualifying Criteria

To qualify for a Hiring Credit Voucher the employee must meet one of the twelve qualifying program criteria 90 days prior to their date of hire with an Enterprise Zone Company. The twelve qualifying program criteria have been identified by the State as causing a barrier to employment for job seekers. The Enterprise Zone has issued 1,567 vouchers based on eight of the qualifying criteria, which are as follows:

Enterprise Zone Criteria	Percent
Targeted Employment Area	83%
Ex-Offender	8%
Work Opportunity Tax Credit	4%
Economic Disadvantaged	4%
Dislocated Worker	1%
Veteran	0%
Public Assistance	0%
CalWorks	0%





In Pasadena, the largest category used to qualify an individual is through the Targeted Employment Area (TEA). Each City with an Enterprise Zone has a set of qualified census tracts that have at least 51% of its residents of low to moderate income levels. The 83% figure comprises individuals that not only live within the Pasadena TEA, but also in other Enterprise Zone jurisdiction's TEA's.

IV. Local Incentives

As part of the commitment to the State to promote economic stability and promote development, the City of Pasadena offers permit fee waivers to all commercial and industrial businesses located within the Enterprise Zone Business Development Area (EZBDA) and to Research and Development companies located in the Enterprise Zone Technology Development Area (EZTDA). On a weekly basis, the Enterprise Zone Office monitors the permit fees issued to all businesses within both the EZBDA and EZTDA areas. **Based on the monitoring, the Enterprise Zone waived \$156,297 in building and planning permit fees.**

With the business license fee, the Enterprise Zone waives the license fee for any commercial or industrial tenant within the EZBDA and any Research and Development tenant within the EZTDA. Property owners and home-based businesses cannot take advantage of this fee waiver. On a monthly basis the Enterprise Zone receives a report from Business License that reports how many business licenses have been waived. *The Enterprise Zone waived \$6.6 million for 2,619 businesses; or 56% of the total business license fees charged within the Enterprise Zone boundaries for Fiscal Year 2008 / 2009.*

V. Business Retention and Attraction Activities

The Enterprise Zone Office organizes, participates, and meets with businesses and program partners on a continuous basis. Below is a summary of business retention and attraction activities for Fiscal Year 2008 / 2009:

- Enterprise Zone Inquiry Phone Calls: 279 total; average 23 per month;
- Enterprise Zone One-On-One Business Meetings: 130 total; average 11 meetings per month;
- The Enterprise Zone conducted three (3) business outreach Meet & Greets for North Lake
 Avenue, East Washington Boulevard, and Hasting Ranch Business Park. The Meet & Greet
 model is a door-to-door outreach tool that connects business owners with city program
 information and gives an opportunity for Council Field Representatives to "walk the beat"
 with City Staff and speak with business owners. *Outreached to 350 businesses;*
- The Enterprise Zone conducted eight (8) workshops and seminars to market the Enterprise Zone program and promote the usage among Pasadena business owners. In conducting these workshops, the Enterprise Zone partnered with the Pasadena Chamber of Commerce, Economic Development, Foothill Employment Training Connection, and various resource partners that have a working knowledge of the Enterprise Zone Program. *Outreached to* 178 businesses: and
- As an additional service, the Enterprise Zone can also conduct on-site employees screening
 for Enterprise Zone companies to determine how many employees qualify for a hiring credit.
 The Enterprise Zone conducted three (3) on-site employee screenings for El Portal
 Restaurant, Boston Brick and Stone, and Jaylahn LLC. Screenings resulting in 10 Hiring
 Credit Voucher Certificates issued.

VI. Company and Program Highlights

A. Tokio Marine Management

Tokio Marine Management Inc. is a global insurance operations company that specializes in claims settling and loss control services in the areas of transportation, general cargo, auto, products liability and overseas travel accident insurance claims. In November 2008, Tokio Marine Management contemplated moving from Pasadena to Glendale, due to an increase in their rent. The Enterprise Zone and Economic Development staff held a series of meetings with Tokio Marine Executive Staff in an effort to retain the company and review the benefits of the Enterprise Zone Program. Ultimately in February 2009 the company decided to stay in Pasadena and the City was able to retain 225 employees. The company began to use the Enterprise Zone Hiring Credit Program in June 2009.

B. Storefront Improvement Program



Before

On October 22, 2007 Pasadena City Council approved new changes to the Storefront Improvement Program (SIP) (formerly know as the Façade Improvement Program) which grants Pasadena property owners the ability to apply for a matching grant to improve their building façade. The SIP allows Enterprise Zone Property Owners to apply for a matching grant up to \$20,000 per building, \$25,000 per historic building, or \$10,000 per storefront within multi-tenant developments.

Under this program, the property owners Chris and Linda White of 1564 North Fair Oaks became the first project to successfully apply for and receive a matching grant of \$20,000 for their façade. This mixeduse, 1,120 square feet, Enterprise Zone location required extensive improvements to bring the building up to current city code and to enhance the building exterior to eliminate blighted conditions. The overall construction budget for this project was \$62,189.16. The completed project passed final inspection in March 2009, thus becoming the first completed storefront improvement project for fiscal year 2008/ 2009.



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VII. Fiscal Year 2009 / 2010 Outlook

The Enterprise Zone will continue to market and promote the usage of this State Program and uphold the obligations outlined in the Enterprise Zone Application. In addition to the State obligations the Enterprise Zone will:

- Monitor State legislation that may affect the Enterprise Zone and proactively elicit support from the Pasadena business community to support the Enterprise Zone Program;
- Continue to outreach to major and minor business corridors within the Enterprise Zone through the Meet and Greet model, geographically targeted training seminars, and industry specific seminars; and
- Increase the number of Hiring Credit Voucher Certificates issued by 5%.



Northwest Programs Division 236 West Mountain Street, Suite 201 Pasadena, CA 91103