

# Staff Summary Report



Council Meeting Date: June 11, 2009

Agenda Item Number: EZ - 1

**SUBJECT:** Convene City of Tempe Enterprise Zone Commission to review the fiscal year 2008 – 2009 City of Tempe Enterprise Zone Annual Report.

**DOCUMENT NAME:** 20090611cdez01 ENTERPRISE ZONE (0111-03-01)

**SUPPORTING DOCS:** Yes

**COMMENTS:** The Arizona Revised Statute 41-1522 requires that the City of Tempe Enterprise Zone Commission meet at least semiannually to provide an update of the effectiveness of the Enterprise Zone (EZ) program.

Fiscal year 2008-2009 highlights per the 2008 Enterprise Zone Report include:

- 29 business within the zone received tax credits.
- 656 new jobs added in the City of Tempe claimed EZ income tax credits, representing 12% of the statewide total.
- 588 2<sup>nd</sup> year jobs continued in the City of Tempe claimed EZ income tax credits, representing 14% of the statewide total.
- 370 3<sup>rd</sup> year jobs continued in the City of Tempe claimed EZ income tax credits, representing 12% of the statewide total.
- Seven business within the zone received property tax reclassification.
- \$33,993,506 was invested by business participating in the Tempe EZ program.

**PREPARED BY:** Micah Miranda, Economic Development Specialist Ext. 2218.

**REVIEWED BY:** Sheri Wakefield-Saenz, Deputy Manager, Community Development Ext. 8812.

**LEGAL REVIEW BY:** N/A

**FISCAL NOTE:** Operation, maintenance and ongoing expenses related to the Enterprise Zone program are currently in the Economic Development budget.

**RECOMMENDATION:** N/A

**ADDITIONAL INFO:** N/A

# Memorandum

## Community Development Department

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### Economic Development

Date: June 1, 2009

To: Mayor and City Council

From: Micah Miranda (x2218)  
Economic Development Specialist

Through: Sheri Wakefield-Saenz (x8812)  
Deputy Manager, Community Development  
Economic Development Director

Reviewed by: Chris Salomone (x8294)  
Manager, Community Development

Subject: City of Tempe Enterprise Zone Commission Annual Report, Fiscal Year 2008-2009

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The primary function of the City of Tempe Enterprise Zone program is to improve economically depressed sections of the city by encouraging new capital investment into business and neighborhood locations that stimulate economic growth and encourage employment opportunities. The City of Tempe Economic Development division administers the program and actively markets the benefits of the enterprise zone to the business community. On January 1, 2009 the Tempe Enterprise Zone received approval for zone expansion and a five year reauthorization from the Arizona Department of Commerce

Arizona Revises Statute 41-1522 requires that the City of Tempe Enterprise Zone Commission meet at least semiannually and submit an annual report to the Arizona Department of Commerce no later than July 15 detailing development within the zone.

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# Enterprise Zone Annual Update

(Due by July 15<sup>th</sup> of each year)

Date: July 15, 2009 Fiscal Year: 2008 – 2009

Enterprise Zone: City of Tempe Enterprise Zone

## Section A: General Information

Please describe any significant social and economic changes that affected the local business climate.

The economic climate within Tempe has declined in comparison with last year. The Tempe unemployment rate in April, 2009 increased to 5.8% from 3.2% in April, 2008, representing an additional 3,291 unemployed individuals for a total of 7,220 unemployed. Another indicator of economic health, vacancy rates, increased over the past year. Industrial vacancy rates climbed from 7.3% in the Q1 2008 to 9.8% in Q1 2009, while office vacancy rates increased from 9.2% to 16.5% over the same period.

## Section B: Goals & Strategies

Please describe the original goals for the zone, what strategies/actions have been taken to accomplish those goals and the completion date for each.

| Goals                                | Strategies/Actions   | Estimated Completion Date | Date Completed |
|--------------------------------------|--|---------------------------|----------------|
| Create & Retain Jobs                 | Maintain/establish and leverage ideas channels for innovative collaboration through centers of excellence(i.e., market assets)                                 | On-going                  | On-going       |
| Maximize Higher Skill/Wage Jobs      | Preferred Company Environment (PCE), which is a model for commercializing new technology and attracting an educated workforce.                                 | On-going                  | On-going       |
| Encourage New Capital Investment     | Municipal programs and resources are committed to illustrate strong support for private sector capital investment in the zone.                                 | On-going                  | On-going       |
| Transparency and Client Satisfaction | Maximize administrative efficiency, serve as a single point of contact for those wishing to utilize Enterprise Zone benefits, streamline the approval process. | On-going                  | On-going       |

**Have there been any modifications to the Goals & Strategies?** If YES, please complete the information below.

| Goals                            | Modifications  | Estimated Completion Date | Date Completed |
|----------------------------------|--|---------------------------|----------------|
| Encourage New Capital Investment | The City of Tempe Community Development Office is now placing a greater emphasis on quantifying the economic advantages of locating/expanding a business in the Tempe Enterprise Zone. Property taxes, payroll taxes, energy cost, telecommunication costs, etc. will be analyzed thoroughly and compared against competitors in an effort to increase capital investment. | On-going                  | On-going       |

### Section C: Marketing & Promotion Activities

Please identify the marketing activities undertaken by the commission and the completion date for each.

| Activities   | Estimated Completion Date | Date Completed           |
|--|---------------------------|--------------------------|
| Phoenix Business Journal                                       | FY 2008-2009              | April – May 2009         |
| San Diego Business Journal                                     | FY 2008-2009              | March 2009               |
| Commercial Executive Magazine                                  | FY 2008-2009              | Nov. 08 – Feb 09         |
| Arizona Real Estate Magazine                                   | FY 2008-2009              | November 2008            |
| US Airways Magazine  | FY 2008-2009              | January – March 09       |
| Where Magazine   | FY 2008-2009              | Annually                 |
| Biz San Diego  | FY 2008-2009              | November 08 – January 09 |
| CoreNet Global Summit – Industrial recruitment                 | FY 2008-2009              | November 2008            |
| International Council of Shopping Centers – Retail Recruitment | FY 2008-2009              | May 2009                 |

### Section D: Management Plan

Please list any additions/deletions made to the commission members.

| Addition/<br>Deletion | Name & Title                   | Community     | Address  | E-Mail   |
|-----------------------|--------------------------------|---------------|--|--|
| Addition              | Councilmember,<br>Corey Woods  | City of Tempe | City of Tempe, 31 East<br>Fifth Street, Tempe<br>Arizona 85281 | <a href="mailto:corey_woods@tempe.gov">corey_woods@tempe.gov</a>   |
| Addition              | Councilmember,<br>Joel Navarro | City of Tempe | City of Tempe, 31 East<br>Fifth Street, Tempe<br>Arizona 85281 | <a href="mailto:joel_navarro@tempe.gov">joel_navarro@tempe.gov</a> |
| Deletion              | Councilmember,<br>Hut Hutson   | City of Tempe | City of Tempe, 31 East<br>Fifth Street, Tempe<br>Arizona 85281 | N/A  |
| Deletion              | Councilmember,<br>Barb Carter  | City of Tempe | City of Tempe, 31 East<br>Fifth Street, Tempe<br>Arizona 85281 | N/A  |

Has the Zone Administrator changed? \_\_\_\_\_ Yes \_\_\_\_\_ ☒ No

If YES, please provide contact information for him/her.

| Name | Title | Community | Address | E-Mail |
|------|-------|-----------|---------|--------|
| N/A  | N/A   | N/A       | N/A     | N/A    |

Have 2 commission meeting been held? \_\_\_\_\_ ☒ Yes \_\_\_\_\_ No

What were the dates of the commission meetings? \_\_\_\_\_ 08.18.2008 & 06.11.2009 \_\_\_\_\_

What is the date of the next commission meeting?

TBD

Has the commission applied for funds, received any gifts, loans or other money for improvement of the zone, if so please identify below.

| Source                                    | Date Applied | Date Received         | Type of Assistance                | Amount received |
|---|--------------|-----------------------|-----------------------------------|-----------------|
| Community Development Block Grants (CDBG) | May 2008     | Fiscal Year 2008-2009 | Community Development Initiatives | \$2,169,428     |
| Section 8                                 | May 2008     | Fiscal Year 2008-2009 | Rent & Utility Subsidies          | \$8,856,767     |

### Section E: Business Activity

Please provide the business activity within the zone for each category.

**What was the total number of businesses located within the zone at the time of designation?**

3,223 businesses per the 2007 Maricopa Association Governments database.

**What was the total number of businesses located within the zone during the previous year?**

3,223 per the Maricopa Association Governments database.

**Currently how many businesses are located within the zone?**

The most recent data figures available are from the 2007 Maricopa Association of Governments which indicates a total of 3,223.

**What is the total number of new businesses locating in the zone?**

Currently, the City of Tempe relies on the Maricopa Association of Governments to provide this information as the city does not issue business licenses to all businesses.

| Company Name | Type of Business | # of Employees | New Business/<br>Branch or<br>Subsidiary | Relocated From |
|--------------|------------------|----------------|--|----------------|
|--------------|------------------|----------------|--|----------------|

See Attached Spreadsheet "Worksheet, Section E – Business".

Note: the figures provided are not absolute as the city does not require a business operating license.

**How many businesses expanded within the zone?**

According to the City of Tempe Construction Activity/Major Project Report, 43 projects finalized their permits in the Tempe Enterprise Zone.

**How many new jobs were created because of these expansions?**

Approximately 2,500 jobs were created in the EZ with assistance from the City of Tempe Economic Development Division.

**What was the total amount invested in these expansions?**

According to the City of Tempe Construction Activity/Major Project Report, \$126,954,300 in declared valuation.

**What role did the enterprise zone play in these expansions?**

The financial benefits of the enterprise zone encouraged and permitted these companies to make significant capital investments in this economically distressed area that otherwise may have not been possible.

**How many businesses closed or relocated out of the zone?**

Currently the City of Tempe does not have a mechanism in place to appropriately track and provide the specific number of new business closing or relocating out of the zone.

**Could the decision be reversed by additional incentives? If YES, what kind.**

Each business closure and relocation is subject to individual circumstances such as; revenue generation, cost of operating, product obsolescence and so-forth. While additional incentives may have reversed the decision for some businesses to close or relocate, no definitive answer or quantifiable information is available.

**Section F: Incentive Programs Available**

What types and amounts of incentives are offered by the local government to businesses located within the zone?  
With an **asterisk \*** identify any incentives that are new since the last report.

| Incentives             | Amounts Available        |
|------------------------|--------------------------|
| Private Activity Bonds | \$20,000,000 per project |

**What other programs are utilized within the zone and their funding source?** Examples of such are job training, low-cost housing, community development block grants, special loan programs and etc. Please also list the source of funding for each of the programs.

| Programs                                   | Source                         |
|--|--------------------------------|
| Community Development Block Grants         | Federal Government             |
| Section 8 Housing Choice Voucher Program   | Federal Government             |
| Home Investment Partnership Program        | Federal Government             |
| Arizona Job Training Fund                  | Arizona Department of Commerce |
| Maricopa Workforce Connections             | Workforce Investment Act       |
| FasTrack Entrepreneurship Training Program | City of Tempe                  |

**Section G: Public Investment**

Please outline the public investments made within the zone and the funding source for each.

| Investment                                       | Source | Amount invested |
|--|--------|-----------------|
| See Attached Spreadsheet " Worksheet, Section G" |        |                 |

Where there any changes in the type and/or amount of infrastructure development and the source of funds for the projects?

\_\_\_\_\_ Yes        X   No

If YES, please comment: \_\_\_\_\_

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**Section H: Affidavit**

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I, a member of the commission, certify the information provided on and with the ***Enterprise Zone Annual Update*** is true and correct according to the knowledge of the undersigned after a reasonable investigation of the facts. Further in accordance with A.R.S. §41-1522(J) the undersigned agrees to provide by July 15<sup>th</sup> an annual update to the Arizona Department of Commerce to document the effectiveness of the zone.

Signed: \_\_\_\_\_ Title: \_\_\_\_\_

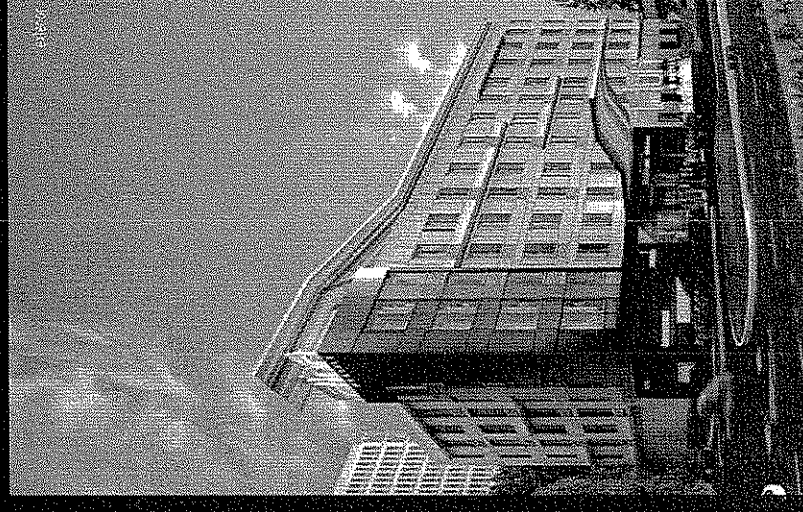
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# **CITY OF TEMPE ENTERPRISE ZONE COMMISSION ANNUAL REPORT**

**Fiscal Year 2008-2009**

**June 11, 2009**



## **TEMPE ENTERPRISE ZONE**

# Enterprise Zone Program

The primary function of the City of Tempe Enterprise Zone (EZ) program is to improve economically depressed sections of the city by encouraging new capital investment.

Enterprise Zones are designated by the Arizona Department of Commerce and provide the following benefits to qualifying businesses:

## Income Tax Credits:

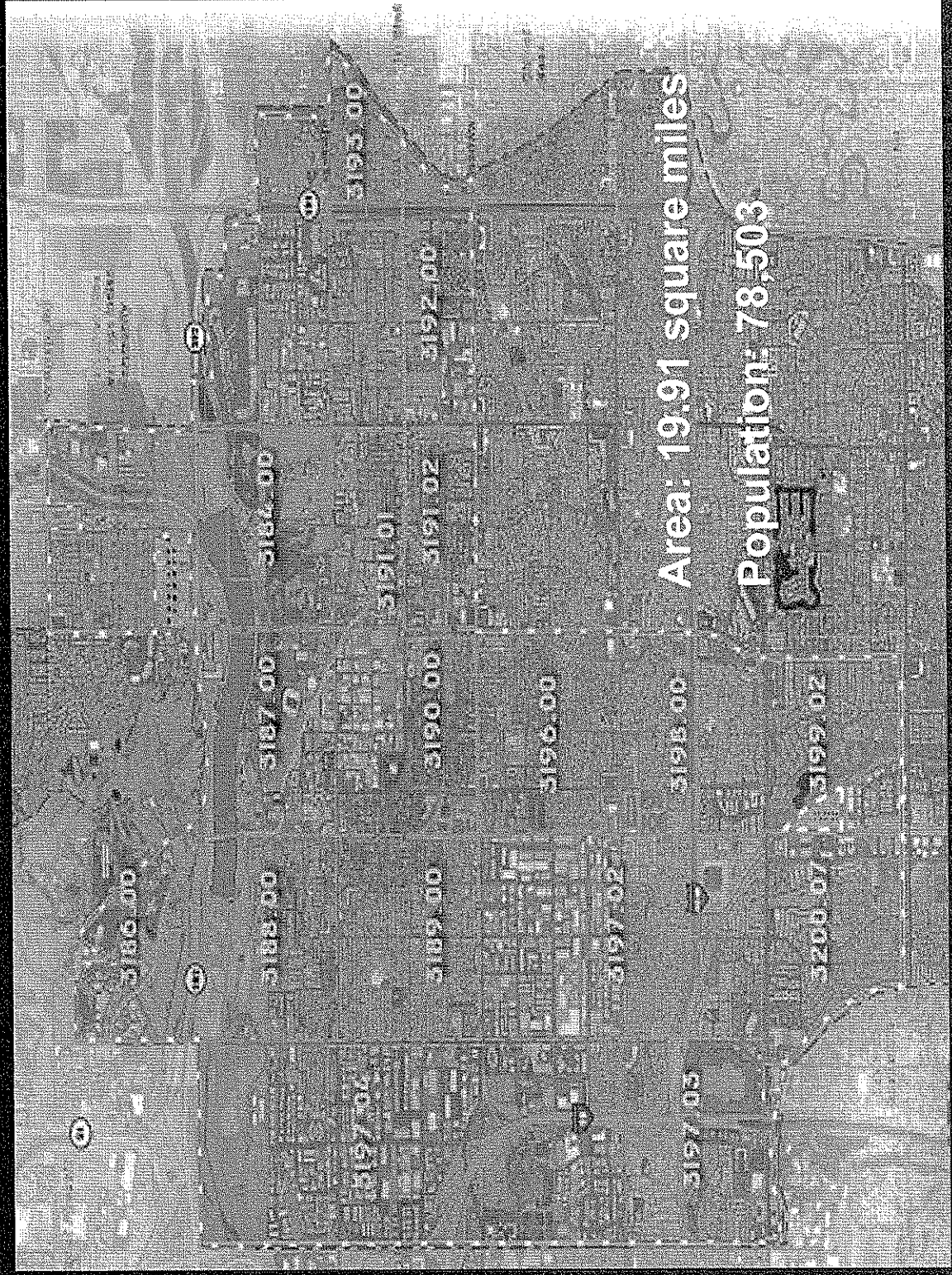
Tax credits may total up to \$3,000 per qualified employment position over three years for a maximum of 200 employees in any given tax year.

## Property Reclassification:

Property tax reclassification from the current assessment ratio to 5% is available for qualified manufacturing businesses located within an enterprise zone.



# Tempe Enterprise Zone



# FY 2008 – 2009 Highlights

Fiscal year 2008-2009 highlights include:

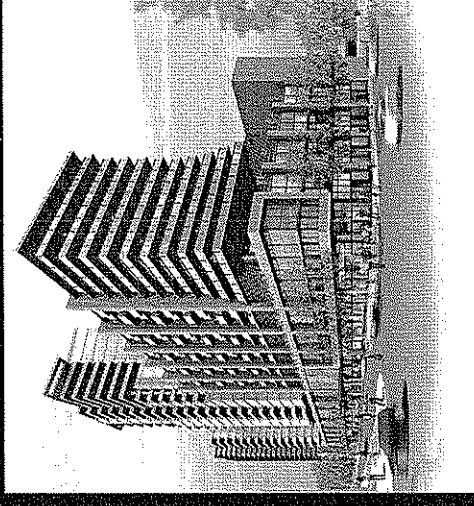
- 29 business within the zone received tax credits.
- Five year reauthorization and approval of Tempe Enterprise Zone expansion
- New Capital Investment – \$126,954,300 in declared valuation
- 656 new jobs added in the City of Tempe claimed EZ income tax credits. Representing 12% of the statewide total.



# **CITY OF TEMPE ENTERPRISE ZONE COMMISSION ANNUAL REPORT**

**Fiscal Year 2008-2009**

**June 5, 2009**



## **TEMPE ENTERPRISE ZONE**