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MEMORANDUM FOR: All Enterprise Zones and Interested Parties

FROM: 
Cathy E. Creswell, Acting Director
Department of Housing and Community Development

**SUBJECT: Update on Status of Enterprise Zone Program
Administration**

This memorandum provides an update and guidance on how the Department of Housing and Community Development (HCD) will administer the Enterprise Zone (EZ) Program.

HCD suspended work on a number of pending EZ designations while Program changes were under consideration in the Governor's budget proposals. The current Budget did not modify the EZ Program.

Given the critical need to stimulate California's economy, while at the same time recognizing the State's fiscal challenges, HCD will immediately institute policies for the EZ Program operation as outlined in this memorandum.

HCD will also solicit input to identify options to strengthen the effectiveness of the EZ Program, improve linkages to other economic development activities, and identify further improvements and reforms. HCD will seek input on the following topics:

- Further use of HCD's discretion to rein in costs and further encourage job growth from the EZ Program.
- Utilizing HCD's rulemaking authority to achieve many of the cost-saving goals articulated in the Governor's 2011 May Revise.
- Potential legislative proposals to reform the EZ Program, including consideration of reforms proposed in current legislative efforts.

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Summary of Immediate Actions by HCD:

1. HCD will not issue an RFP for new EZ designations until further notice.

Until further notice, HCD will not issue applications for new EZ designations. Up to 42 EZs are allowed by statute, and two existing EZs will expire in 2012. HCD will use its authorized discretion to not open up applications for new EZs until the Program is sufficiently reformed to strengthen its effectiveness to incentivize job creation.

Current EZs will continue for the pendency of their 15-year terms absent changes in applicable law.

2. HCD will proceed with final designations.

HCD will immediately proceed with all pending applications in accordance with applicable legal requirements. The following conditional EZs need to complete the designate process to begin or continue operations. Each of the following EZs will be provided 180-days to satisfy all outstanding conditions and execute MOUs. There will be no extensions past the 180 days.

- Anaheim (City of Anaheim)
- Harbor Gateway Communities cities of Los Angeles and Huntington Park, and County of Los Angeles)
- Pittsburg (City of Pittsburg and County of Contra Costa)
- Sacramento (cities of Sacramento, West Sacramento, Rancho Cordova, and County of Sacramento)
- San Diego (cities of San Diego, Chula Vista, and National City)
- San Francisco (City and County of San Francisco)
- Santa Clarita Valley (City of Santa Clarita and County of Los Angeles)
- Sequoia Valley (cities of Dinuba, Exeter, Farmersville, Lindsay, Porterville, Tulare, Visalia, Woodlake, and County of Tulare)

3. HCD will reopen applications for EZ expansions consistent with its State mandate.

HCD is required by statute and regulation to process applications for expansion of currently designated EZs.

Pending applications for expansion will be processed immediately. Future applications will be processed according to the relevant statutes and regulations.

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4. HCD will convene stakeholders to examine additional reforms to the EZ Program, with the intent to initiate rulemaking within three months.

HCD will convene stakeholders to examine what changes should be made to the EZ Program to increase transparency, accountability, cost effectiveness, and effectively stimulate job growth.

HCD will seek input on policies that should be issued or changed with respect to HCD's administration of the EZ Program. Stakeholders will be asked to provide input on potential amendments to the Program through HCD's rulemaking authority that achieve some of the policy reforms proposed in the Governor's May Revise, as well as reforms proposed through current legislative efforts.

The stakeholder process will also seek recommendations on other legislative changes to the Program that the Administration may seek to institute.

Stakeholder meetings will be noticed within the coming weeks.