



Office of the Governor

ARNOLD SCHWARZENEGGER  
THE PEOPLE'S GOVERNOR

## PRESS RELEASE

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### **Gov. Schwarzenegger Announces Eight New Enterprise Zones to Boost California's Economy**

Helping to grow jobs and improve California's business climate, Governor Arnold Schwarzenegger today announces the conditional designation for eight Enterprise Zones statewide. The zones are Siskiyou County, San Joaquin County, East Los Angeles, Salinas Valley, Kings County, Oakland, West Sacramento and Santa Ana.

"Enterprise Zones play a key role in revitalizing economically challenged parts of our state. By helping businesses create well-paying jobs, we empower communities to climb the economic ladder and build the state's overall economy," said Governor Schwarzenegger.

The California Enterprise Zone Program targets economically distressed areas using special state and local incentives to promote business investment and job creation. By encouraging entrepreneurship and employer growth the program strives to create and sustain economic expansion in California communities.

The new designations will take the place of the eight zones set out in statute which are expiring over the next several months. Each zone designation is in effect for 15 years.

Businesses within Enterprise Zones are eligible for substantial tax credits and benefits, for example:

- Firms can earn \$37,440 or more in state tax credits for each qualified employee hired.
- Corporations can earn sales tax credits on purchases of \$20 million per year of qualified machinery and machinery parts.
- Up-front expensing of certain depreciable property.
- Lenders to Zone businesses may receive a net interest deduction.
- Unused tax credits can be applied to future tax years, stretching out the benefit of the initial investment.
- Enterprise Zone companies can earn preference points on state contracts.
- Up to 100% Net Operating Loss (NOL) carry-forward. NOL may be carried forward 15 years.

In 2006, Gov. Schwarzenegger released a report commissioned by the Department of Housing and Community Development (HCD) that evaluated the success of Enterprise Zones in spurring economic recovery. The report shows that, on average, within Enterprise Zones between 1990 -2000:

- Poverty rates declined 7.35 percent more than the rest of the state.
- Unemployment rates declined 1.2 percent more than the rest of the state.
- Household incomes increased 7.1 percent more than the rest of the state.
- Wage and salary income increased 3.5 percent more than the rest of the state.

The next step in the designation process will be the HCD issuance of a conditional designation letter to each of the new zones. The letters will outline conditions which must be met to be granted final designation. Examples of

conditions include a signed memorandum of understanding with HCD, which includes performance measures and benchmarks.