



## Community Investment Memo

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**May 12, 2009**

**TO:** Mayor and City Council

**CC:** Kevin Burke, Ben Fisk, Stacey Button 

**FROM:** Becky Daggett, Business Retention and Expansion Manager

**RE:** May 26, 2009 Enterprise Zone Presentation to City Council

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At Council's request, I will be presenting information regarding Flagstaff's Enterprise Zone at the May 26 City Council meeting.

I intend to present:

- A brief overview of the Enterprise Zone program
- A map indicating the City of Flagstaff's Enterprise Zone boundaries
- A map indicating the location of Coconino County's Enterprise Zone
- The Income or Premium Tax Credits available through this program
- The Property Tax Benefits available through this program
- The criteria for businesses to qualify for the program
- A list of Flagstaff companies that have utilized the program in the past

## **Flagstaff Enterprise Zone**

Presentation to City Council

May 26, 2009

### **Overview**

- Statewide program through the Arizona Department of Commerce
- Goal is to "improve the economies of areas in the state with high poverty and/or unemployment rates."
- Companies apply directly to the Arizona Department of Commerce

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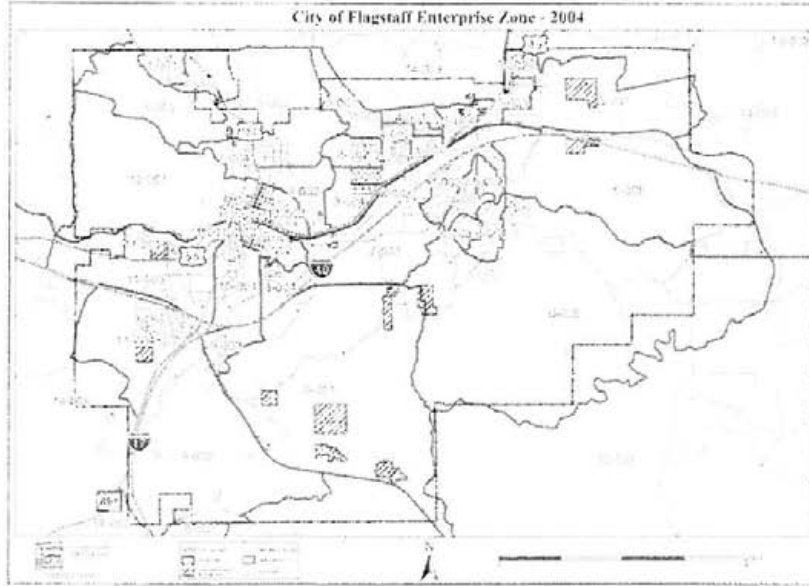
## **How Enterprise Zone area is determined**

- The poverty or unemployment rate in the proposed zone area must be at least 150% of the statewide average
- Flagstaff's Enterprise Zone is based upon "Persons Below Poverty Level" rates
- Based upon most recent (2000) Census data

## **Flagstaff's Enterprise Zone**

- Created in 1993
- Administered by GFEC from the creation
- In July 2008, Becky Daggett was named the Flagstaff Zone Administrator

# Flagstaff Map



# Coconino County Map



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## **Two Types of Benefits**

- Income or Premium Tax Credits
- Property Tax Reduction

## **Income or Premium Tax Credits**

- Net increases in qualified employment positions
  - For profit non-retail businesses and insurers
  - Eligibility based upon a business' NAICS code (North American Industry Classification System).

## **Income or Premium Tax Credits**

- Up to \$3,000 per qualified employment position over three years (max 200 employees in any given tax year)
- Qualified employment position:
  - Full-time and permanent
  - Pays hourly wage above \$8.81
  - Employer pays at least 50% of health insurance

## **Income or Premium Tax Credits**

- Credits for qualified employment positions are equal to:
  - First year:  $\frac{1}{4}$  wages paid to an employee up to \$500
  - Second year:  $\frac{1}{3}$  wages paid to each previously qualified employee up to \$1,000
  - Third year:  $\frac{1}{2}$  wages paid to each previously qualified employee up to \$1,500

## **Income or Premium Tax Credits**

- 35% of net new eligible employees that business is claiming a credit for must live within an enterprise zone in the same county as the business

## **Property Tax Benefits**

- Qualified manufacturing or commercial printing businesses
- Five year reduction of real and personal property, which reduces primary taxes, if:
  - Minority-owned, woman-owned or small (fewer than 100 employees or gross sales of \$4 million)
  - Independently owned and operated
  - Makes an investment in fixed assets in the zone of at least \$1 million

## Property Tax Benefits

- FY 2008 – Commerce had reported tax data from the following Flagstaff companies:
  - Canyon State Oil (2<sup>nd</sup> year jobs in zone)
  - FedEx Freight (1<sup>st</sup> year jobs in zone)
  - Joy Cone (1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> year jobs in zone)
  - Pioneer Title Agency (3<sup>rd</sup> year jobs in zone)
  - Westpac Residential (2<sup>nd</sup>, 3<sup>rd</sup> year jobs in zone)

## Marketing Efforts

- CityofInnovation.com Website
- Economic development brochures
- Economic Report video
- One-on-one visits with local companies
- Marketing program through local CPA's



## **AZ Dept of Commerce**

- Phone: 602-771-1237
- [www.AzCommerce.com](http://www.AzCommerce.com)
  - Business Assistance
    - Incentive Programs
      - Enterprise Zone Program

## **Flagstaff Enterprise Zone Administrator**

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# Flagstaff Enterprise Zone

Questions?

