

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE**

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SEEDS MANAGEMENT MEMORANDUM

State Enterprise and Economic Development Section

Memorandum Number 7-04R

NOTE: This memorandum replaces Memorandum Number 7-04.

Date: September 7, 2007

TO: Enterprise Zone Coordinators

From: Frank Luera, Chief
State Enterprise and Economic Development Section
DIVISION OF FINANCIAL ASSISTANCE
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

SUBJECT: Targeted Employment Areas—REVISED Requirements for Designation and Updates

The purpose of this memorandum is to establish guidelines for the application and designation of a Targeted Employment Area (TEA). The following sections provide background on the purpose of the TEA and describe the Department of Housing and Community Development's (Department) application guidelines and recent requirements for updates of certain existing TEAs.

Definition of a Targeted Employment Area

Section 7072(i) of the Government Code defines "Targeted Employment Area" as an area within a city, county, or city and county that is composed solely of those census tracts that have at least 51 percent of its residents of low- or moderate-income levels. Its purpose, according to the Code, is to encourage businesses in an enterprise zone to hire eligible residents from these geographic areas. The incentive for these businesses is the availability of a tax credit for hiring residents who reside in a TEA.

Requirements for New TEA Designations

To establish a TEA, an enterprise must submit an application for TEA designation to the Department. The application must clearly identify the census tracts that will constitute the proposed TEA and demonstrate that they meet the eligibility criteria. In addition, the application must include certain specified documentation, such as resolutions and a map of the TEA boundaries. See below for the specific documents required.

Requirement for Updates of TEAs Established with Pre-2000 Census Data

Recent legislation, Assembly Bill 1550, requires that enterprise zones, which obtained a TEA prior to the availability of the 2000 United States census data, review and update their TEA boundaries to

reflect the most recent census data. To comply with this law, enterprise zones should follow the TEA application requirements described in this memorandum for a new designation. As part of these requirements, each local governmental entity that has a jurisdiction in the enterprise zone must approve, by resolution or ordinance, the boundaries of the updated targeted employment area. The enterprise zone must submit the updated TEA application to the Department by November 2, 2007.

Exception to TEA Update Requirement. Enterprise zones that expire on or prior to December 31, 2008, are exempt from the TEA update requirement.

TEA Boundary Requirements and Alternatives

A TEA may be, but is not required to be, the same as all or part of an enterprise zone. In addition, its boundaries need not be contiguous. That is, the census tracts that comprise the TEA do not need to be adjacent or connected. Moreover, the TEA does not need to encompass each eligible census tract within the jurisdiction. Thus, the enterprise zone has the option of identifying only those census tracts that it considers most in need of TEA status.

Although the boundaries of the enterprise zone and the TEA do not need to overlap, there are several geographic restrictions. For example, at least a part of each eligible census tract within a TEA shall be within the territorial area of the jurisdictions that comprise the enterprise zone. If a census tract encompasses the territorial jurisdictions of two or more local governmental entities, all of these entities must be a party to the TEA application unless they formally choose not to participate.

Finally, only those census tracts within the jurisdictions of the entities participating in the enterprise zone may be included in a TEA. This restriction precludes census tracts from jurisdictions that are not a party to the enterprise zone from inclusion in the TEA.

TEA Application Process

To apply for a Targeted Employment Area designation, an enterprise zone should submit the following items to the Department:

1. A cover letter requesting TEA designation. The letter should be addressed to Frank Luera, Chief of the State Enterprise and Economic Development Section.
2. A certified resolution or ordinance. Each local governmental entity with a jurisdiction in the enterprise zone shall include a resolution or ordinance, which approves the boundaries of its TEA. The resolution or ordinance should specify the census tracts that will encompass the TEA.
3. A map of the TEA boundaries. The map should identify the geographic boundaries of the qualifying census tracts and their corresponding tract numbers.
4. A Table of Census Tract Assessments. The table, which is shown in Attachment B, should identify each census tract the enterprise zone proposes to include in the TEA and its corresponding qualifying factors, including the percentage of residents at or below low- to moderate-income levels. To prepare the table, follow the instructions in Attachment A, which describe how to determine an eligible census tract.
5. All supporting documentation. As part of the application package, include evidence of the Median Household Income and the number of households with less than the Median Household Income for the census tracts.

Once assembled, the enterprise zone should send the above items to the following address:

Frank Luera, Chief
State Enterprise & Economic Development Section
1800 3rd Street, Suite 390
Sacramento, CA 95811

Contacts

If you need more information about the application and designation process for a Targeted Employment Area, please contact me at (916) 327-2862.

ATTACHMENT A

How to Determine Eligible Census Tracts

To determine whether a census tract is eligible for a Targeted Employment Area, use data published by the United States Department of Census. To obtain the data and identify the eligible census tracts, use the following steps:

1. Go to www.census.gov
2. Click on "American FactFinder."
3. Go to "Data Sets."
4. Click on "Data Sets: Decennial Census."
5. Select "Census 2000 Summary File 3."
6. Click on "Census 2000 Summary File 3: Detailed Tables."
7. Input the following:

Step	Category	Selection Required
A.	Go to "Select a geographic type"	Select "County"
B.	Go to "Select a state"	Select "California"
C.	Go to "Select one or more geographic areas and click Add"	Select the specific county
D.	Click on "Add" box	Add specific county to the box

8. Click "Next."
9. Go to table number "P53: Median Household Income in 1999."
10. Highlight the table number.
11. Add the table number to the empty box.
12. Click "Show Result" and print the table.
13. Enter the results from Table P53, Median Household Income in 1999, in Column B of the table found in Section III of Attachment B.*
14. Close the browser completely and repeat steps 1 – 6.
15. Input the following:

Step	Category	Selection Required
A.	Go to "Select a geographic type"	Select "Census Tract"
B.	Go to "Select a state"	Select "California"
C.	Go to "Select a county"	Select the specific county
D.	Go to "Select one or more geographic areas and click Add"	Select the specific Census Tract
E.	Click on "Map It"	Print the map
F.	Click on "Add" box	Add specific census tract to the box

16. Click on "Next."
17. Go to table number "P52: Household Income in 1999."
18. Highlight the table number.

* If the county's median household income is less than the State's median household income of \$47,493, the enterprise zone may use the State's median in Column B.

19. Add the table number to the empty box.
20. Click “Show Result” and print the table.
21. Enter the results from Table P52, Household Income in 1999, select the total number of households for the census tract, which is described in the row titled “Total.” Enter this number in Column C of the table in Attachment B.
22. From Table P52, Household Income in 1999, determine the number of households whose incomes were at or below the range that includes the Median Household Income identified in Step 13. To determine the total, add the number of households that correspond to each of these ranges. For example, if the Median Household Income were \$43,816 and the total number of households for the range of \$40,000-\$44,999 is 131, add this total (131) to the total number of households from each of the ranges below this range.
23. In Column E, divide the total number of households below the Median Household Income (Column D) by the Number of Households in the census tract (Column C). Multiply the result by 100 to obtain the percentage of households at or below the low to moderate levels. Any census tract with at least 51 percent is eligible for the Targeted Employment Area.
24. Repeat Steps 14 through 24 for each census tract.

ATTACHMENT B

TARGETED EMPLOYMENT AREA (TEA) APPLICATION

INSTRUCTIONS: To apply for a Targeted Employment Area, complete Sections I, II, and III of this form, and submit the documents listed in Section II.

I. Enterprise Zone Contact Information

Name of Zone:

Jurisdiction(s):

Contact Name:

Telephone Number:

II. Checklist

Instructions for Section II: Identify the corresponding page number for the following documents that should be submitted with the TEA application.

Document	Page Number(s)
Certified Resolution or Ordinance	
Map of Census Tract(s)	
Table of Census Tract Assessments	
Median Household Income for the County	
Number of Households in each Census Tract	

