

S.F. casts wider net for enterprise zone benefits

BY ERIC YOUNG

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Six months into an outreach campaign, San Francisco economic development officials are on pace to sign up a record number of businesses for tax breaks and other benefits from the state.

Last February, the city's business development department set a goal of calling on at least 4,000 companies in San Francisco's enterprise zone, a state-approved area stretching from Fisherman's Wharf to Bayview/Hunters Point. Businesses in the zone can apply for state tax breaks and other incentives if they boost employment or meet other criteria.

San Francisco officials said they anticipate at least 850 businesses in the zone will apply for benefits this year — up from 697 last year.

The city's outreach was part of an effort to counteract the recession's drag. San Francisco's unemployment has risen to 9.8 percent and industries from tourism to real estate are suffering.

Although the city has had an enterprise zone for many years, city officials said few companies knew about it or how to apply.

"We're seeing a greater uptake," said Jennifer Entine Matz, managing deputy director in the San Francisco Mayor's Office of Economic and Workforce Development.

To spread the word, city officials briefed companies in industries like biotech and hospitality. They also contacted neighborhood business associations and real



Larry Bardoff of Synergenics handled the paperwork for the biotech's hiring tax credit.

estate brokers and building managers.

Savings to companies can be significant. The most lucrative benefit to companies is the hiring tax credit. An employer can claim more than \$37,000 per worker in state income tax credits over five years when they hire workers who were laid off, are disabled or meet other criteria.

Synergenics LLC, a five-person biotech in Mission Bay, applied this year for the hiring tax credit after hearing about it from city officials. Larry Bardoff, vice president of finance, who was laid off from his previous position, said his com-

pany qualifies for the tax break.

The paperwork can appear daunting, he said. "You need a little bit of patience," but the payoff will be worth it, he said.

Big companies take advantage of the enterprise zone too. Levi Strauss & Co. got \$250,000 worth of hiring tax credits in 2008. Other big employers that got enterprise zone benefits include Wells Fargo & Co., Nordstrom and Safeway.

In addition to tax credits for hiring, companies can apply for tax breaks after purchasing production equipment and can carry over operating losses.

BOLDLY GOING

Companies can rack up big savings from enterprise zone benefits. Here's a look at what companies in San Francisco received in 2006, the most recent year available.

- \$12,380,253 in hiring tax credits.
- \$65,013,806 in operating loss carryover.
- \$43,479,897 in net interest deduction for lenders.
- \$257,383 in business expense deductions.

SOURCE: California Franchise Tax Board

For information on San Francisco's enterprise zone, call (415) 554-6425.

In addition to San Francisco's, 41 other enterprise zones exist around the state. While popular with economic development officials, the enterprise zone program has its detractors, who have attempted to curb or gut it.

During the most recent state budget fight, a Los Angeles assemblyman introduced a bill that would have curtailed many of the tax breaks. The legislation was tabled.

"It is really about the only economic development tool that the state offers," said Craig Johnson, president of the California Association of Enterprise Zones. "We've got to keep this program alive, more than ever, as a business retention tool."

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