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San Jose Awarded Enterprise Zone *Designation will further drive strong economy*

SAN JOSE, CALIF., November 9, 2006—The State of California has designated parts of San Jose as an “Enterprise Zone” that extends the City’s ability to provide state and local incentives to encourage business investment and bring more jobs to San Jose.

Covering ten square miles encompassing Downtown San Jose and the Julian-Stockton and the Monterey corridors south of Downtown, the Enterprise Zone covers 5,900 businesses that employ over 50,000 people.

“The San Jose Enterprise Zone will contribute to our region’s ongoing economic recovery and provide more job opportunities for our residents,” said San Jose Mayor Ron Gonzales. “With these strong incentives to hire low- and moderate-income individuals, we are looking forward to greater investment by businesses of all sizes to support growth and prosperity.”

“San Jose’s Enterprise Zone puts a framework in place to retain the businesses we have in San Jose, help them become larger players in the market, while accelerating investment into new industries, such as biotech, nanotech and green energy technologies,” said Paul Krutko, director of San Jose’s Office of Economic Development. “The Enterprise Zone will help expand small businesses that support existing high-tech firms and increasing employment rates.”

Since 2001, the City of San Jose has lost over 100,000 jobs. In addition, land and labor costs challenge business retention. Enterprise Zone incentives are seen as a way for San Jose to continue to recover significant job losses after the dot-com crash and create economic opportunities for low/moderate income individuals necessary to support the growing population within America’s 10th largest city.

San Jose's Enterprise Zone is part of the California State Enterprise Zone Program. The program targets economically distressed areas throughout California and includes a collection of state and local incentives to encourage business investment and promote the creation of new jobs. The purpose of the program is to provide tax incentives to businesses and allow private sector market forces to revive the local economy.

In 1986, San Jose was awarded its first Enterprise Zone—a 15-year designation. It was renewed in 2001 for a five year extension that was due to expire at end of this year. The new designation extends the Enterprise Zone to 2021.

“San Jose's continued eligibility for the Enterprise Zones program is good news for our Redevelopment Areas,” said Harry Mavrogenes, executive director, San Jose Redevelopment Agency. “The program's benefits will support the operations of our businesses and ensure their economic success and growth over time.”

Enterprise Zone companies are eligible for tax credits and benefits including:

- \$31,544 or more in state tax credits for each qualified employee hired
- sales tax credits on purchases of \$20 million per year of qualified machinery and machinery parts
- up to 100% Net Operating Loss (NOL) carry-forward
- up-front expensing of certain depreciable property
- unused tax credits can be applied to future tax years, stretching out the benefit of the initial investment
- preference points on state contracts

For more information about the City of San Jose's Enterprise Zone, contact Yolanda Lee, (408) 535-8181.

About the City of San Jose's Office of Economic Development

The City of San Jose's Office of Economic Development (OED) is committed to a vital, competitive San Jose economy that increases prosperity for people and companies and enhances City revenues. The Office guides the City's economic strategy, provides assistance for business success, helps connect employers with trained workers, and provides art and cultural resources to our community. For more information, please visit: www.sjeconomy.com.

About the City of San Jose

From its founding in 1777 as California's first city, San Jose has been a leader, driven by its spirit of innovation. Today, San Jose stands as the largest city in Northern California and the Capital of Silicon Valley—the world's leading center of innovation. The city, the 10th largest in the U.S., is committed to remaining a top-ranked place to do business, work, live, play and learn. For more information, visit: www.sanjoseca.gov.

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