



R-29

CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

August 16, 2005

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt the attached Resolution authorizing formation of the Long Beach Development Fund, a California non-profit corporation, for purposes of applying for certification as a Community Development Entity in order to apply for allocation of federal New Markets Tax Credits. (Citywide)

DISCUSSION

The New Markets Tax Credits (NMTC) is a program of the U.S. Department of the Treasury with the purpose of stimulating investments in businesses and commercial real estate development in qualifying low-income areas. The NMTC encourages investment by offering individuals and corporations tax credits that total 39 percent of investments for projects in qualifying census tracts. To qualify, census tracts must have a poverty rate greater than 20 percent, or a median income less than 80 percent of either the metropolitan area or statewide median family income, whichever is higher. Fifty-nine of the 110 census tracts in Long Beach qualify. These census tracts are identified in a map attached as Attachment A.

The Community Development Department has reviewed the NMTC program and has determined that it would enhance results of other City community and economic development efforts, including the Community Development Block Grant program (CDBG), business assistance programs and redevelopment activities.

The NMTC program is competitive and requires, as a first step, an application for Community Development Entity (CDE) certification. CDE certification is determined by the U.S. Department of the Treasury. Thereafter, a second application is necessary for allocation of the tax credits themselves. If an allocation of tax credits is approved, the City's CDE would be in a position to assist in attracting development to the City's low-income census tracts by offering the NMTC.

The Long Beach Development Fund (Fund) will serve as the City's CDE. Its primary mission will be to provide services to low-income communities in the City of Long Beach. The Articles of Incorporation are attached as Exhibit A to the Resolution and the Bylaws as Exhibit B to the Resolution. Examples of activities of the Fund would include:

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- Investing in, lending to, or providing technical assistance to businesses located in low-income communities;
- Investing in or providing loans to support commercial development located in low-income communities; or
- Investing in, lending to, or providing technical assistance to organizations engaged in activities that promote community development in low-income communities or for the benefit of low-income persons.

The Fund will be managed by a seven-person Board of Directors, to be appointed by the Mayor with the consent of the City Council. The officers of the Fund will be a President (the Director of Community Development), a Vice President and Secretary (the designees of the President), a Chief Financial Officer (the Director of Financial Management), an Assistant Treasurer (the City Auditor), and a General Counsel (the City Attorney of the City of Long Beach).

This letter was reviewed by Assistant City Attorney Heather Mahood on August 1, 2005, Budget Management Officer David Wodynski on August 9, 2005, and the City Treasurer's Office on August 10, 2005.

TIMING CONSIDERATIONS

City Council action is requested to authorize the creation of the Long Beach Development Fund on August 16, 2005, to meet the federal application-filing deadline for CDE certification of August 22, 2005.

FISCAL IMPACT

Should the City qualify as a CDE, all restricted revenue and expenses associated with NMTC will be accounted for separately. There is no fiscal impact on the General Fund.

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CRAIG BECK

ACTING DIRECTOR OF COMMUNITY DEVELOPMENT

APPROVED:



GERALD R. MILLER
CITY MANAGER

Attachments: Census Tract Map (Attachment A)
Resolution

CB:RS:dm