



Legislation Text

File #: 15-0126, **Version:** 1

Recommendation to receive a report on incentives to encourage small business recruitment, retention and growth and approve the recommended Incentives for Small Businesses Program; and

Request City Attorney to prepare any necessary documentation to implement the Program. (Citywide)

At its December 19, 2014 meeting, the Economic Development and Finance Committee received a report from City staff on a program to implement four specific small business incentives intended to encourage small business recruitment, retention and growth. The Committee forwarded that information to the City Council, with a recommendation that the City Council direct the City Manager to fully develop the options presented and report back to the City Council. The following information is provided in response to that direction, along with a recommendation to request the City Attorney to prepare any necessary documentation to implement the program, should the Council choose to implement the program.

Long Beach is an excellent city to start, expand or relocate a business and have that business succeed. To help further encourage small businesses to start, expand, or relocate in Long Beach, a number of new incentives have been developed for the consideration of the City Council. The incentives are intended to benefit small businesses in Long Beach, those with ten or fewer employees, and reduce start-up and expansion costs. The program is proposed as a pilot, to be reviewed prior to the start of the FY16 and FY17 budget cycles, to determine whether the program should be continued, modified, or whether it will be allowed to sunset at the beginning of FY17. There are four distinct incentives as follows:

Ø **Incentive to relocate to or expand a small business into Long Beach**

Qualification

A small business relocates from outside of Long Beach or adds an additional location in Long Beach.

Incentive Amount

An incentive amount equal to the amount of first year's business license tax for the new or expanded location, paid as a credit against the business license tax bill. (Approximately \$350 to \$520.)

Ø **Incentive to support manufacturing**

Qualification

A small manufacturing business, starts in or relocates to Long Beach.

Incentive Amount

An incentive amount equal to the amount of first two years' business license tax for the new location, paid as a credit against the business license tax bill and applied over two years. (Approximately \$700 to \$860.)

Ø **Incentive to create jobs**

Qualification

A small business adds employees.

Incentive Amount

Based on the before and after business license headcount, an incentive equal to four times the amount of the incremental business tax for each new employee for the current year, paid as a credit against the current year's business license tax. After the first year, the business license tax would be increased to reflect the new headcount, or a charge would be applied, if necessary, to recover a pro rata amount of the incentive if the number of employees is reduced within four years. (Approximately \$36 to \$70 per employee added.)

Ø **Incentive for renovation and construction**

Qualification

A small business submits a permit application for the renovation or construction of improvements, and the cost of the renovation or construction exceeds \$4,500. The costs of the renovation or construction must be paid by the small business and not by its landlord or others.

Incentive Amount

An incentive amount equal to the amount of one year of the current business license tax for the business if the total value of the renovation or construction exceeds \$4,500, or an amount equal to two years of the business license tax if the total value of the renovation or construction exceeds \$9,000. The incentive is paid as a credit against the business license tax bill over the next one or two years of tax bills. (Approximately \$700 to \$1,035.)

Implementation details are as follows:

- Incentives apply to a small business, defined as a non-home business that is located in Long Beach and has ten or fewer employees as certified on the original business license application or any updates to that information.
- Information on which to base the eligibility for the incentives will be based on the signed and attested information on a business license application and/or an application for an incentive.
- A manufacturing business is determined based on the description it provides on its business license and the associated NAICS code that City staff assigned based on the description and any updates to that information.
- A new manufacturing business only receives the manufacturing incentive if it is new in

Long Beach, not the new business incentive.

- Long Beach reserves the right to verify any information.
- Incentives are paid by the General Fund from funds available, not as a reduction to business license tax revenues.

This matter was reviewed by Deputy City Attorney Amy R. Webber and by Budget Management Officer Victoria Bell on February 2, 2015.

At its January 6, 2015 meeting, City Council requested staff to report back to the City Council in 30 days, therefore, City Council action is requested on February 17, 2015.

It is not possible to accurately predict the number of businesses that might apply and qualify for the incentives. However, it is roughly estimated that the cost of implementation will be under \$200,000 annually. The costs during FY 15 are expected to be much lower and relatively nominal due to the lateness in the year when the pilot program could begin. Because of the improving economy and the anticipated low cost of the program, it is believed that there will be enough unbudgeted one-time revenue to fund the program for the balance of FY 15, subject to the impacts associated with the decline in oil revenues. Staff will report back to the City Council on the fiscal impacts of the Incentives for Small Businesses Program as more information becomes available through implementation of the pilot program. Approval of this recommendation will provide continued support to the local economy.

Approve recommendation.

JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER