



Legislation Text

File #: 06-1325, **Version:** 1

Recommendation to authorize City Manager to submit an application for an allocation of federal New Markets Tax Credits and approve a contract with Kelli Bernard to prepare the application and to provide project administration for the program, if approved. (Citywide)

The New Markets Tax Credits (NMTC) is a program of the U.S. Department of Treasury with a 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. Long Beach has 59 census tracts that would qualify. These census tracts are identified in a map attached as Exhibit A.

On August 16, 2005, the City Council adopted a Resolution authorizing the formation of the Long Beach Development Fund, a California non-profit corporation, for purposes of applying for certification as a Community Development Entity (CDE) in order to apply for an allocation of NMTC. The Long Beach Development Fund was duly formed, and was certified in April 2006 by the U.S. Treasury to serve as the City's CDE. The purpose of the CDE is to attract development to the City's low-income census tracts by offering NMTC. Its primary mission will be to encourage development in low-income communities in the City of Long Beach. Examples of activities of the corporation or Long Beach Development Fund would include:

- 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, including other CDEs, engaged in activities that promote community development in low-income communities or for the benefit of low-income persons.

On August 5, 2006, the Department of Community Development issued a Request for Proposals (RFP) for a consultant to prepare an application and to administer the NMTC, if awarded. The administration of the NMTC program includes securing commitments from financial institutions for both equity and debt investment in qualifying NMTC developments. The proposal submitted by the firm of Kelli Bernard was deemed most responsive to the RFP.

In response to the RFP, Kelli Bernard proposed a fee of \$30,000 to prepare the application, and a division of subsequent revenue generated by the Long Beach Development Fund if Long Beach were to receive a NMTC allocation. Kelli Bernard would be entitled to collect fees in an amount equal to

3.5 percent of tax credits transferred to investors on a deal by deal basis. The typical fee structure for the NMTC program includes a 7 percent fee to be retained by the CDE. An allocation of \$50 million in tax credits would result in CDE revenue of approximately \$3.5 million, of which 50 percent would be retained by the Long Beach Development Fund and 50 percent would be earned by Kelli Bernard. As the NMTC Program is an extremely competitive program, and as Kelli Bernard has had significant success in securing tax allocations for its clients, this proposal is recommended as being both beneficial and innovative to the City, as it increases the City's chance for a successful application and limits future costs to administer the tax credits, if awarded.

This letter was reviewed by Assistant City Attorney Heather A. Mahood on December 7, 2006, and Budget Management Officer David Wodynski on September 21, 2006.

City Council action is requested to authorize the submission of an application and the contract with Kelli Bernard at this meeting in order to allow the consultant sufficient time to meet the federal application-filing deadline of February 1, 2007.

There is no fiscal impact associated with the requested action, as all payments to Kelli Bernard will be derived from NMTC allocation reserve. All CDE fee revenue will accrue to the Long Beach Development Fund to offset program costs.

Approve recommendation.

PATRICK H. WEST
DIRECTOR OF COMMUNITY DEVELOPMENT

APPROVED:

GERALD R. MILLER
CITY MANAGER