


**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: March 7, 2017

TO: Honorable Members of the Rules, Elections, Intergovernmental Relations and
Neighborhoods Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No.: 17-0002-S10
Assignment No. : 17-02-0126

Maintain PATH Act of 2015 Relative to New Market Tax Credits

CLA RECOMMENDATION: Adopt the attached Resolution (Wesson – Price) to include in the City’s 2017-18 Federal Legislative Program SUPPORT/SPONSORSHIP of any legislation and/or administrative action to maintain provisions of the PATH Act relative to the New Market Tax Credits program.

SUMMARY

On January 20, 2017, a Resolution (Wesson – Price) was introduced to support/sponsor any legislation and/or administrative action to maintain provisions of the Protect Americans from Tax Hikes (PATH) Act relative to the New Market Tax Credit (NMTC) program. The Resolution notes that the Los Angeles Development Fund (LADF), a non-profit Community Development Entity, was formed to apply for and manage an allocation of new market tax credits on behalf of the City of Los Angeles. It further states that on December 18, 2015, Congress enacted the PATH Act of 2015, which granted an extension of five years and a \$3.5 billion annual allocation.

The Resolution describes the use of NMTC to facilitate economic development in low-income communities by funding retail, industrial, and mixed-use projects. It informs that the LADF was awarded a \$75 million allocation of NMTC in 2007 and \$50 million in 2012, which have been expended. It describes that the LADF was awarded a \$50 million allocation in 2016, and it is in the process of reviewing projects for funding, including Anita May Rosentstein Campus (\$10 million), Budokan of LA (\$10 million), Impact Manufacturing at PIMA (\$6 - 10 million), Jordan Downs Retail Center (\$10 million) and Orthopedic Institute for Children (\$6 -10 million).

The Resolution concludes that it is anticipated that the 115th Congress will conduct a tax overhaul that may put the NMTC in jeopardy. Therefore, the Resolution recommends that the City support/sponsor any legislation and/or administrative action to maintain provisions of the PATH Act relative to the NMTC program.

BACKGROUND

NMTC

The New Market Tax Credit (NMTC) Program was authorized by the Community Renewal Tax Relief Act of 2000. The NMTC Program stimulates investment and economic growth in low income urban and rural communities. It facilitates capital for projects by providing investors with a federal tax credit for investments made in eligible low-income communities.

According to the U.S. Treasury CDFI Fund, as of the end of fiscal year 2015, the NMTC Program:

- Generated \$8 of private investment for every \$1 of federal funding
- Generated 164 million square feet of manufacturing, office, and retail space
- Financed over 4,800 businesses

In accordance with the PATH Act of 2015, the new market tax credit was extended five years and will expire December 31, 2019.

LADF

The LADF, established in 2006, manages the City's NMTC Program. It is a U.S. Treasury Department Community Development Financial Institutions Fund (CDFI Fund) certified Community Development Entity. The LADF Governing Board, which approves all program polices, contracts, and investment decisions, is comprised of five members, including representatives from the Housing and Community Investment Department, Economic and Workforce Development Department, the Chief Legislative Analyst, the City Administrative Officer, and the Industrial Development Authority. The LADF Advisory Board is comprised of ten members, of which at least 40 percent must representative of low-income communities served by the LADF or its affiliates or subsidiaries.

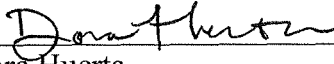
The LADF reports that to date, it has financed nine projects that will add 420,000 square feet of new space and rehabilitate 710,000 square feet of existing space for retail, industrial, office, and community use. It is anticipated that these projects will:

- Create 1,200 new permanent direct jobs
- Create 420 new permanent indirect jobs
- Retain 660 permanent direct jobs
- Generate 2,070 construction jobs

Previous Council Actions

In the past, Council has supported LADF applications for NMTC allocations (C.F. 11-1220-S1, S3, and S4) which have resulted in a total \$175 million allocation to the LADF.

Support/sponsorship of any legislative and/or administrative action to maintain the provisions of the PATH Act of 2015 relative to new market tax credits would be consistent with the City's past support for NMTC investment in the City.



Dora Huerta
Analyst

Attachment: Resolution (Wesson – Price)

RESOLUTION

RULES, ELECTIONS & INTERGOVERNMENTAL RELATIONS

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to or pending before a local, state, or federal government body or agency must first have been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, the Los Angeles Development Fund (LADF), a non-profit Community Development Entity (CDE) was formed to apply for and manage an allocation of New Markets Tax Credits (NMTC) on behalf of the City of Los Angeles; and

WHEREAS, on December 18, 2015, Congress enacted the Protecting Americans from Tax Hikes Act (PATH Act) of 2015, which granted the NMTC program an extension of five years (2015-2019) and a \$3.5 billion annual allocation; and

WHEREAS, NMTC are used to facilitate economic development in low-income communities by funding retail, industrial, and mixed-use projects; and

WHEREAS, the LADF was awarded a \$75 million allocation of NMTC in October 2007; an additional \$50 million allocation of NMTC in April 2012; and

WHEREAS, the LADF expended its 2007 and 2012 NMTC allocations on projects such as the YWCA Urban Campus (\$20M), Discovery Science Center of Los Angeles/Children's Museum (\$10M), La Kretz Innovation Campus (\$10M), and LA Prep Kitchen (\$10M); and

WHEREAS, on November 17, 2016, the LADF was awarded a \$50 million allocation which is in the process of reviewing the following projects for funding: Anita May Rosenstein Campus (\$10M), Budokan of LA (\$10M), Impact Manufacturing at PIMA (\$6M-\$10M), Jordan Downs Retail Center (\$10M) and Orthopaedic Institute for Children (\$6M-\$10M); and

WHEREAS, the 115th Congress is anticipated to conduct a tax overhaul that may put the NMTC program in jeopardy;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2017-2018 Federal Legislative Program SUPPORT/SPONSORSHIP of any legislation and/or administrative action to maintain provisions of the PATH Act relative to the New Markets Tax Credit program.

PRESENTED BY: 
HERB F. WESSON, JR.
Councilmember, 10th District

SECONDED BY: 

grs

JAN 18 2017

JAN 20 2017



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