

## REPORT OF THE CHIEF LEGISLATIVE ANALYST

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DATE: April 20, 2017

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

FROM: Sharon M. Tso *ISA*  
Chief Legislative Analyst

Assignment No: 17-02-0144

SUBJECT: Resolution to SUPPORT legislation or administrative action similar to provisions in S. 3416 (Brown)/HR 2890 (Hultgren).

CLA RECOMMENDATIONS: Adopt Resolution to include in the City's 2017-2018 Federal Legislative Program SUPPORT for legislation or administrative action similar to provisions in S. 3416 (Brown)/HR 2890 (Hultgren) in the 114<sup>th</sup> Congress, which would strengthen the Industrial Development Bond program.

### SUMMARY

The Economic and Workforce Development Department (EWDD) has recommended that the City support legislation similar to S. 3416 and HR 2890, identical bills from the 114<sup>th</sup> Congress (2015-2016 Federal Legislative Session) that would reform the Industrial Development Bond program. Reforms would include expansion of the definition of manufacturing and an increase in the maximum bond size, reforms that would enable manufacturing to expand in the City and create new jobs. Therefore, we recommend that Council adopt the attached Resolution to support legislation or administrative action similar to provisions in S. 3416 and HR 2890.

### BACKGROUND

Industrial Development Bonds (IDBs), a type of qualified small issue manufacturing bond, offer both taxable and tax-exempt financing for commercial and industrial development projects at favorable interest rates, usually rates below those charged by traditional financing. The IDB program in the City of Los Angeles is managed by EWDD. According to the Council of Development Finance Agencies, since 2004, the United States has lost nearly 6 million manufacturing jobs to overseas competition, industry contraction, poor public policy, lack of capital, and the general downturn in the nation's economy. Congress has amended qualified small issue manufacturing bond law in the mid-1980s and most recently made minor revisions in 2006. The now defunct bills S. 3416 and HR 2890, the Modernizing American Manufacturing Bonds Act, would have made several reforms to these types of bonds, namely:

- Expanding the definition of manufacturing to include both tangible and intangible manufacturing production;
- Eliminating restrictions on "Functionally Related and Subordinate Facilities";
- Increasing the maximum bond size limitation from \$10 million to \$30 million; and
- Increasing the capital expenditure limitation from \$20 million to \$40 million.

These reforms would allow bond financing to keep pace with inflation, reflect the modern manufacturing sector in the United States, help facilitate business expansion in Los Angeles, and create new jobs. The legislation would remove barriers for IDB financing, permit non-traditional intangible/intellectual developers to access IDBs as a financing tool, increase the ceiling on the total bond amount, and allow a higher amount of capital improvement. Since S. 3416 and HR 2890 did not become law, our Office recommends the Council support legislation or administrative action that would enact reforms similar to these bills.



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Clay McCarter  
Analyst

Attachments:

1. Resolution for support or legislative action to similar provisions in S. 3416 (Brown)/HR 2890 (Hultgren).

## RESOLUTION

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 governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, Industrial Development Bonds (IDBs) are a type of qualified small issue manufacturing bond that offers both taxable and tax-exempt financing for commercial and industrial development projects at rates usually below those charged by traditional financing; and

WHEREAS, according to the Council of Development Finance Agencies, since 2004, the United States has lost nearly 6 million manufacturing jobs to overseas competition, industry contraction, poor public policy, lack of capital, and the general downturn in the nation's economy; and

WHEREAS, Congress has amended qualified small issue manufacturing bond law in the mid-1980s and most recently made minor revisions in 2006; and

WHEREAS, S. 3416 and HR 2890, the Modernizing American Manufacturing Bonds Act, were introduced in the 114<sup>th</sup> Congress (2015-16) but did not become law; and

WHEREAS, the Modernizing American Manufacturing Bonds Act would have made several reforms to these types of bonds, namely expanding the definition of manufacturing to include both tangible and intangible manufacturing production, eliminating restrictions on "Functionally Related and Subordinate Facilities", increasing the maximum bond size limitation from \$10 million to \$30 million, and increasing the capital expenditure limitation from \$20 million to \$40 million; and

WHEREAS, these reforms would allow bond financing to keep pace with inflation, reflect the modern manufacturing sector in the United States, help facilitate business expansion in Los Angeles, and create new jobs; and

WHEREAS, while these bills failed to become law, the City of Los Angeles should support these reform provisions to strengthen the IDB program;

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 for legislation or administrative action similar to provisions in S. 3416 (Brown)/HR 2890 (Hultgren) from the 114<sup>th</sup> Congress, which would strengthen the Industrial Development Bond program.