

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	7339	Agenda Number	8.
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Meeting Date:	6/9/2011	Department:	Economic Growth and Redevelopment
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Subject

Approve a resolution authorizing the City Manager to create a Texas non-profit entity to apply for and receive new market tax credits and to perform other duties necessary to carry out the purposes of the new market tax credit program.

Amount and Source of Funding

Fiscal Note

There is no unanticipated financial impact. A fiscal note is not required.

Purchasing Language:	
Prior Council Action:	
For More Information:	Kevin Johns, Director, EGRSO / 974-7802; Rodney Gonzales, Deputy Director, EGRSO / 974-2313
Boards and Commission Action:	
MBE / WBE:	
Related Items:	

Additional Backup Information

The New Markets Tax Credit (NMTC) Program was created in 2000 by the federal government as part of the federal Community Renewal Tax Relief Act (CRTA) to encourage equity investments in businesses in low-income communities (LIC's) by providing a tax incentive for qualified investments.

In basic terms, the NMTC Program permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments (QEI's) in community development entities (CDE's), limited liability companies (LLC's), limited liability partnerships (LLP's), or corporations that provide services primarily to low income communities (LIC's) and commit to use substantially all of the QEI's received for qualified investments. In order to be designated as an LIC, the population census tract in question has to have at least a 20 percent poverty rate or a median family income (MFI) level of up to 80 percent of area median or statewide median.

The federal tax credit provided to the investor equals 39 percent of the cost of the investment and is claimed over a seven-year credit allowance period. In each of the first three years, the investor receives a credit equal to 5 percent

annually. For the final four years, the value of the credit is 6 percent annually. Investors may not redeem their investments in CDE's prior to the conclusion of the seven-year period.

EGRSO is proposing to create a non-profit corporation, that will apply for certification as a Community Development Entity and for NMTC allocations to be used to improve the economic conditions of the City's economically-distressed areas. The goals for this new program will be to facilitate projects that do the following:

- Create jobs for low-income persons and residents of economically-distressed areas
- Increase wages or incomes for low-income persons and residents of economically-distressed areas
- Target job creation to areas of high unemployment
- Finance or assist businesses committed to remaining in an eligible census tract
- Finance or assist businesses owned by residents of economically-distressed areas
- Finance or assist minority or women-owned businesses