



Date: March 21, 2023

To: Thomas B. Modica, City Manager 

From: Bo Martinez, Director of Economic Development 

For: Mayor and Members of the City Council

Subject: **Economic Empowerment Zones (EEZs) Program**

On [June 11, 2019](#), the City Council requested the City Manager work with the Economic Development Department to evaluate the feasibility of establishing a special Economic Empowerment Zone (EEZ) program in the targeted areas of North, Central and West Long Beach. On [March 16, 2021](#), the City Council voted to adopt the Long Beach Recovery Act (LB Recovery Act) to fund economic, public health and fiscal initiatives for Long Beach residents, business owners and workers critically impacted by the COVID-19 pandemic, including the feasibility of the EEZ program which had been unable to move forward due to funding limitations. This memorandum provides an update on the feasibility efforts to establish an EEZ Program to help further the goals of the City Council, LB Recovery Act and the Economic Blueprint.

Since the dissolution of redevelopment agencies in 2012, cities across California, including Long Beach, have had limited resources to implement economic development and community re-investment efforts. Redevelopment agencies were an essential proponent of revitalizing neighborhoods and improving the quality of life by leveraging resources to grow economic activity through corridor improvements, park expansion, and affordable housing projects. In the absence of historical tools to revitalize communities, cities must now pursue efforts through legislation and initiatives to stimulate growth, job attraction and retention and address economic inequities.

To encourage economic activity and benefits in the targeted areas of North, Central and West Long Beach, it was requested that the EEZ program offer “potential administrative incentives” including, but not limited to, the following:

- Permit, tax, business license, utility, planning and land use incentives for new businesses and basic neighborhood-serving amenities such as financing institutions, grocery stores, and medical facilities
- Additional bidding preferences on public procurement opportunities for businesses located within EEZs
- Deployment of local workforce development, training, and higher education centers
- Additional support for burgeoning business corridors, including culturally sensitive small business navigator, and corridor infrastructure enhancements
- Reevaluate and enhance CDBG corridor enhancement programs
- Access to free or low-cost housing of HUD Certified Counseling Centers that provide advice on buying a home, renting, defaults, foreclosures, and credit issues

With the approval of the LB Recovery Act, the City Council authorized funding for the planning, development, establishment and coordination of special economic zones in the areas of Long Beach and sectors most impacted, and exacerbated by COVID-19, the feasibility of which had been unable to move forward due to funding limitations. LB Recovery Act funding would be dedicated to various activities required to establish EEZs including business planning, community outreach, small business coordination, and private sector investment attraction.

Program Structure

The EEZ program concept was drafted as a City-led initiative to create a special incentive zone, or zones, that align local resources with federal and state economic development initiatives to complement strategies to improve the quality of life, encourage public-private partnerships and generate economic opportunity in identified areas within Long Beach. As part of the analysis required to identify supportable federal and state programs, staff have identified Tax Increment Financing (TIF) districts like Community Revitalization and Investment Authorities (CRIAs) and Enhanced Infrastructure Finance Districts (EIFDs) which have become increasingly utilized by local agencies. Redevelopment agencies utilized TIF, which works by essentially freezing the property tax revenues that flow from a designated project area to the City at the “base level” in the current year. A portion of additional tax revenue in future years over that base year, or the “increment”, is diverted into a separate pool of money, which can be used either to pay for improvements directly or to pay back bonds issued against future TIF revenue. With redevelopment dissolution, CRIAs and EIFDs were introduced by the California Legislature from 2014-2015 as a new model of TIF tools to promote economic development at the local level including investment in businesses and business corridors, infrastructure and affordable housing, albeit in a more limited manner than under redevelopment.

Feasibility Analysis

To establish the viability of EEZs, specific analysis must be undertaken to determine the financial feasibility of a special incentive zone, including reviewing key social and economic characteristics (population, unemployment, etc.), defining potential boundaries, and estimating funding capacity based on property values and estimated increment available for reinvestment. The Economic Development Department has utilized its on-call contract with Jones Lang LaSalle and subcontractor, Kosmont Companies, to commence the feasibility analysis. Kosmont Companies is an industry leader in evaluating the financial feasibility of establishing a CRIA or EIFD, having fully formed these districts in over a dozen cities and counties, with more than 30 additional districts currently in progress. The following are Kosmont’s key tasks currently in process:

- **Demographic, Employment, and Industry Analysis** – Key social and economic characteristics, including population, unemployment, and various business and employment metrics.
 - **Mapping & Boundary Alternative Analysis** – Preparation of maps that identify various metrics of special incentive zones feasibility, reflecting the relevant identified metrics and criteria, such as:
 - Employment density (US Census Bureau On the Map portal)
 - SCAG Priority Growth Areas
 - Land use/zoning designations (from SCAG)
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- Underutilized commercial properties (from SCAG)
- Buildings under construction (data from CoStar)
- Publicly-owned buildings (from SCAG)
- SB 535 Disadvantaged Census Tracts (from CalEnviroScreen)
- Opportunity Zones (from HUD Open Data)
- Demographic data (Educational attainment, Median household income, Housing tenure-owner occupied vs renter occupied)
- Cultural centers (e.g., Latino, Black, Cambodian)

Future components of the feasibility analysis include financial analysis of tax increment funding capacity and fiscal impacts to both the City and potential agency partners and an implementation roadmap should the special incentive zone be viable. It is anticipated that the feasibility analysis will be completed within 120 days with an update to be provided upon completion.

Consistent with recommendations from the Equity Toolkit both potential funding tools discussed have equity-focused components. The approaches to advancing equity in underserved communities included in the EEZ effort include engaging community voices through community outreach and education about these potential funding mechanisms. The City will also seek to advance equity through these tools by funding community that have high poverty and unemployment, need additional affordable housing, and are culturally diverse. To ensure equity during the area identification process, analysis will include rental versus home ownership, household income, availability of community-serving facilities (community centers, cultural centers, etc.) and education level attained, which will assist in when establishing EEZs in areas of highest need.

Further, the City's Economic Blueprint recommends, through its Economic Inclusion objective, an assessment of the value through the establishment of a Community Revitalization and Investment Authority (CRIAs) or Enhanced Infrastructure Financing District (EIFDs).

Approximately \$3.3M has been allocated to the EEZ program through LB Recovery Act funding. The feasibility analysis is anticipated to cost approximately \$269,155 and will be completed in Fiscal Year 2023 and is a critical assessment point for the EEZ program.

For any questions regarding these matters, please contact Bo Martinez, Director of Economic Development, at bo.martinez@longbeach.gov or (562) 570-5282.

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