

*** NOTE: TO RETURN TO THIS PAGE, CLICK ON THE COUNTY SEAL ***

[CLICK HERE FOR CEO's REPORT DATED JULY 30, 2010](#)

[CLICK HERE FOR CEO's REPORT DATED MARCH 28, 2011](#)



County of Los Angeles
CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

July 30, 2010

To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

SMALL BUSINESS INDUSTRIAL DEVELOPMENT BONDS: STATUS UPDATE

On April 13, 2010, your Board directed my office to review all industrial and commercial loan programs that benefit businesses in Los Angeles County and to report back on the feasibility of issuing Industrial Development Bonds and providing other coordinated financing services to small business.

In response to your Board's motion, we are initiating discussions with the Treasurer's Office, Los Angeles Chamber of Commerce, Small Business Administration, and Los Angeles Economic Development Corporation. We expect to be prepared to provide a substantive update to your Board by September 15, 2010.

Should you have any questions regarding this matter, your staff may contact Jan Takata at (213) 974-1360.

WTF:BC:SK
DJT:zu

c: Executive Office, Board of Supervisors
Treasurer and Tax Collector

K:2010Word/FAM/CP/small business industrial dev bonds

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

March 28, 2011

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

FEASIBILITY OF INDUSTRIAL DEVELOPMENT BONDS

On April 13, 2010, your Board directed this office to study and determine the feasibility of issuing Industrial Development Bonds (IDBs) as a means of providing financial assistance to small businesses. In response, we have reviewed this financing method in the context of the current financial market with the Treasurer and Tax Collector's Office and have concluded that under current State law, use of IDBs to assist small businesses is currently not feasible.

The issuance of IDBs is authorized under the California Industrial Development Financing Act of 1980 (the "Act"). Under the Act, local governments are authorized to issue tax-exempt IDBs to finance eligible capital improvements for manufacturing businesses. Such projects are required to generate substantial public benefits to justify the implicit public subsidy provided by the tax-exemption offered on the bonds.

The Act created the California Industrial Development Financing Advisory Commission (CIDFAC) to verify the public benefit of the financed projects, approve IDB allocations, and oversee the issuance of the IDBs by the local government. Under CIDFAC's program requirements, projects must satisfy the following standards:

- Project costs are less than \$10.0 million;
- Projects will create one full-time job for every \$75,000 financed;
- Eligible projects are restricted to manufacturing-oriented businesses;

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**

Each Supervisor
March 28, 2011
Page 2

- Bond proceeds may be used to finance the cost of land, buildings, and equipment, but may not be used for working capital, refinancing, or inventory financing;
- Applicant businesses must demonstrate an ongoing ability to repay the indebtedness, including the provision of a five-year standby letter of credit from a major commercial bank or other credit enhancement; and
- Applicant businesses must confirm the nature and level of the public benefit the proposed project will produce through the:
 - number of private sector jobs that will be created or saved;
 - amount of energy and natural resource conservation that will be achieved;
 - level of positive fiscal impact on local government;
 - degree of resulting positive environmental impact; and
 - level of consumer benefits resulting from improved supply products and services.

In addition, the County's IDB program is limited to applicant businesses located within an unincorporated area of the County.

The requirements to create private sector jobs, as well as other public benefits are extremely onerous in the current economic climate and major commercial banks are currently not issuing five-year standby letters of credit. As a result, the Treasurer and Tax Collector's Office and the Chief Executive Office have concluded that IDBs, as structured under current State law, are not a feasible option for small businesses at this time.

Should you have any questions regarding this matter, your staff may contact Jan Takata at (213) 974-1360, or Glenn Byers of the Treasurer and Tax Collector's Office at (213) 974-7175.

WTF:RLR
DJT:zu

c: Executive Office, Board of Supervisors
County Counsel
Treasurer and Tax Collector