



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: DECEMBER 9, 2025

FROM: OFFICE OF THE CITY MANAGER WARDS: ALL

SUBJECT: APPROVAL OF A RESOLUTION AUTHORIZING THE CITY TO FORM A COMMUNITY DEVELOPMENT ENTITY RELATED TO SUBMISSION OF A PROPOSAL FOR FEDERAL NEW MARKETS TAX CREDITS BENEFITING WORKFORCE HOUSING DEVELOPMENTS AND ASSOCIATED ECONOMIC DEVELOPMENT PROJECTS IN LOW TO MODERATE INCOME AREAS OF THE REGION

ISSUE:

Approval of a Resolution (Exhibit A) authorizing the City to form a Community Development Entity (CDE) necessary for completion of an application for federal New Markets Tax Credits in the CY 2026-27 timeframe; forming a lending entity for the purposes of workforce housing development and associated economic development, and authorizing the City Manager or designee to sign all necessary documents.

RECOMMENDATIONS:

That the City Council:

1. Approve a Resolution establishing a Community Development Entity as defined by federal code necessary for completion of an application for federal New Markets Tax Credits in the CY 2026-27 timeframe and authorizing the City Manager, of designee, to execute all necessary documents, making minor corrections as necessary.

BACKGROUND:

The City of Riverside has long utilized tax credits to benefit low to moderate income communities. The most common federal tax credit used in the City is the Low-Income Housing Tax Credit, which has contributed to the construction of over 600 units of affordable housing in various Riverside neighborhoods. Tax credits are typically used to both fund a project and to attract additional private investment. Generally after federal tax credits are awarded, they are discounted and sold to investors on a secondary market and a designated tax credit entity uses the cash proceeds to make the investment(s) promised in the tax credit application.

The New Markets Tax Credit Program (NMTC), established in 2000, helps economically distressed communities attract private capital by providing investors with a federal tax credit. Investments made through the NMTC Program are used to finance businesses which invest into neglected and underserved low-income communities. Through the NMTC Program, tax credits are competitively allocated to Community Development Entities (CDEs), who offer tax credits to

investors in exchange for equity in the accompanying project. Using the capital from these equity investments, CDEs can make loans and investments to businesses operating in low-income communities utilizing better rates and terms and more flexible features than available on the market. The NMTC program provides a substantial tax credit as an incentive for investing in low to moderate income communities. Investors in the CDE are eligible to claim a tax credit equal to 5% of its equity investment for each of the first three years and a 6% credit for each of the next four years (39% tax credit total over seven years).

NMTC's have a variety of uses, from housing to healthcare, to educational and economic development projects that benefit low to moderate income communities. The U.S. Congress has authorized a total of \$91 billion in NMTC allocations between 2001-2025. The 2023 NMTC round offered \$10 billion in development credits nationwide. In 2025, the NMTC Program was made permanent by Congress.

Although there have been a number of Inland Region NMTC projects in the last decade, the last tax credit project in the city of Riverside occurred in 1998.

DISCUSSION:

In fall of 2024 the City released a public bid for consultant services in order to assist in completion of a 2026-27 application package for NMTC. On December 17, 2024, the City Council approved an Agreement with Cherry Bekaert, Inc., to consult with the City for all non-legal services leading to a submission of a NMTC application. Cherry Bekaert is currently assisting the City to develop tax credit eligible projects and to identify local funding partners leading to an application for tax credits in the 2026-27 timeframe (Phase 1). If awarded, Cherry Bekaert would potentially administer and handle reporting for the tax credits through the seven-year lifespan of the funding (Phase 2).

Critical to the City's application for NMTC is the establishment of a CDE. Under tax federal code, a CDE is a domestic corporation or partnership with the primary mission of serving, or providing investment capital for, low-income communities or low-income persons. Once established, this CDE would have its own executive committee plus a broader advisory committee. This staff report requests City Council authority via a Resolution to establish a CDE in order to submit a NMTC application and for the City Manager to sign any necessary documents.

The City is planning to request NMTC for a lending pool that potentially encompasses a region in Inland California, providing lending that would benefit workforce housing with associated local economic development components that could be integrated into the new housing. The City is an experienced lender in the development of workforce housing. In the past five years, Riverside has loaned over \$25 million in State and federal pass-through funding to facilitate development of 12 affordable housing development projects.

Preliminary planning has the City's newly formed CDE applying for an allocation of NMTC credits in Round 23 with an application submission in very early 2027. If the City is successful in lending the first round of tax credit capital, it may apply for additional (and larger amounts) of tax credits in subsequent NMTC rounds.

FISCAL IMPACT:

There is no fiscal impact related to this report. Staff will return to the City Council with updates regarding the NMTC Program as needed.

Prepared by: Jeff McLaughlin, Grants Administrator

Certified as to

availability of funds: Kristie Thomas, Finance Director and Assistant Chief Financial Officer

Approved by: Edward Enriquez, Assistant City Manager/Chief Financial Officer

Approved as to form: Rebecca McKee-Reimbold, Interim City Attorney

Exhibits: A - Resolution