



MEMORANDUM
COUNTY OF PLACER
Office of Economic Development

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DATE: November 3, 2009

TO: Honorable Board of Supervisors

FROM: Richard E. Colwell, Chief Assistant CEO
David C. Snyder, Director of Economic Development 

SUBJECT: **Adopt a resolution designating Placer County as a Federal Recovery Zone pursuant to the American Recovery and Reinvestment Act of 2009 for the purpose of issuing Recovery Zone Facility Bonds in an amount not to exceed \$6,841,000 and Recovery Zone Economic Development Bonds in an amount not to exceed \$4,561,000.**

ACTION REQUESTED

Adopt a resolution designating Placer County as a Federal Recovery Zone pursuant to the American Recovery and Reinvestment Act of 2009 for the purpose of issuing Recovery Zone Facility Bonds in an amount not to exceed \$6,841,000 and Recovery Zone Economic Development Bonds in an amount not to exceed \$4,561,000.

BACKGROUND

On June 12, 2009, the U.S. Department of the Treasury released information and guidance regarding eligibility and authorization levels for the American Recovery and Reinvestment Act's (ARRA) "Recovery Zone" bonds. There are two types of bonds: Recovery Zone Facility Bonds (RZFB) and Recovery Zone Economic Development Bonds (RZEDB).

Recovery Zone Facility Bond (RZFB)

Recovery Zone Facility bonds are a type of tax-exempt bond that may be used by private businesses or non-profits in designated "recovery zones" to finance a broad range of depreciable capital projects. Land acquisition cannot be financed through these bonds and they must be issued before January 2, 2011.

Recovery Zone Economic Development Bonds (RZEDB)

Recovery Zone Economic Development Bonds are taxable "Build America" bonds that allow states and local governments to obtain lower borrowing costs through a new direct federal payment subsidy, for 45% of the interest, to finance a broad range of qualified economic development projects. These bonds may only be used by state or local governments for government projects which otherwise comply with the tax code for tax-exempt financed facilities; private developers, businesses or non-profits are not eligible. Bonds must be issued before January 1, 2011.

To be eligible for either of the programs, projects must be located in "Recovery Zones" that are designated by the local jurisdiction. "Recovery Zones are defined as "1) any area designated by the issuer as having significant poverty, unemployment, rate of home foreclosures, or general distress; 2) any area designated as economically distressed by reason of the closure or realignment of a military installation; 3) any area for which a designation as an 'empowerment zone' or 'renewal community' is in effect as of the effective date of the ARRA (2/17/09)." Placer County has no designated empowerment zones or renewal communities.

In determining the allocation of funding to cities and counties throughout the United States, the Federal Government used a formula based on increases to a jurisdiction's unemployment rate. Over \$1.2 billion in funds were allocated to cities and counties for the Recovery Zone Facility Bond Program and over \$800 million for the Recovery Zone Economic Development Bond Program. Placer County has been allocated the following shares of the Funding:

- \$6,841,000 in Recovery Zone Facility bonds
- \$4,561,000 in Recovery Zone Economic Development bonds

County Staff has spoken with staff members of the California Enterprise Development Authority. Based on their feedback, the fact that Placer County was allocated funds based on the Federal Government's formula showing a significant increase to the unemployment rate, Placer County qualifies as a Recovery Zone. To be designated as a Recovery Zone, the local governing authority must designate the area that bonds will be utilized in as a Recovery Zone and to include the basis for the designation per ARRA section 1400-1(b).

The RZFB program would allow companies in the Sunset Industrial Area and elsewhere in unincorporated Placer County to access low-interest rate, tax-exempt revenue bonds. By designating Placer County as a Recovery Zone, we will take the first step towards assisting our businesses, as well as notifying the state Treasurer's Office that we intend to utilize the funds.

Cities and counties that do not use their funds or do not utilize the full portion will be asked to release the funds back to the state so that they can be reallocated the funds to cities or counties that did not originally qualify for funds based on the federal government's employment rate formula or cities or counties who are seeking additional funds. Cities and counties must notify the State Treasurer's Office by January 31, 2010 of their intent.

ENVIRONMENT IMPACT

The California Environmental Quality Act (CEQA) does not apply to activities that will not result in a direct or reasonably foreseeable indirect physical change in the environment (CEQA Guidelines § 15060(c)(2)). The designation of the County as a Federal Recovery Zone does not include the potential for a significant environmental effect, and therefore, is not subject to CEQA.

FISCAL IMPACT

There is no fiscal impact association with this action. The designation as a Recovery Zone does not financially obligate the County in any way. By designating Placer County as a Federal Recovery Zone, local businesses will be eligible for millions of dollars through the ARRA. While RZFBs allow borrowers to access the tax-exempt marketplace to fund their projects, RZFBs are not guaranteed by any local, state or Federal agency. The borrower and the project are required to have a demonstrated ability to repay the RZFB issue.