



CITY OF LONG BEACH

R-17

DEPARTMENT OF DEVELOPMENT SERVICES — REDEVELOPMENT BUREAU

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January 19, 2010

HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach

California

RECOMMENDATION:

Receive and file a report on the Recovery Zone and support efforts by the Redevelopment Agency to explore the use of Recovery Zone Economic Development Bonds for public bond financing related to various public improvement projects in all Redevelopment Project Areas. (Citywide)

DISCUSSION

As part of the American Recovery and Reinvestment Act (ARRA), Congress added new provisions to the Internal Revenue Code (Code) for the establishment of Recovery Zones that enable state and local governments to provide additional capacity for public and private bond financing. On November 3, 2009, the City Council held a public hearing and adopted a Resolution designating the City of Long Beach Recovery Zone (Zone) per applicable sections of the Code. The Long Beach Bond Finance Authority took a similar action on December 3, 2009, and the Redevelopment Agency designated the Recovery Zone on December 7, 2009.

Recovery Zone Bonds consist of two categories: Economic Development (RZEDB) and Facility Bonds (RZFB). Economic Development Bonds are taxable governmental bonds that can be utilized for the promotion of economic development in areas such as construction of infrastructure, public facilities and various other economic development purposes. The City's allocation of RZEDB is \$22,235,000. RZFBs are tax-exempt, private activity bonds that allow issuers to provide tax-exempt financing for private business development and improvement projects. The City's allocation of RZFB is \$33,353,000. The ability to take advantage of these debt financing opportunities is ultimately dependent upon the existence of a revenue stream to support the related debt service payments once the debt is issued. In addition, qualified projects for both RZEDBs and RZFBs must be "shovel ready", have entitlements in place, and must be prepared to issue bonds by December 2010, at which time the Zone designations are set to expire under rules promulgated by Congress.

In order to market the RZFBs, staff is marketing the tool as an economic incentive for projects that have been stalled due to constraints in the financial market. Interested parties are required to submit an application in order for staff to demonstrate the viability of the project and to ensure adequate means of repayment. Given the strict guidelines governing the use of RZFBs, the ultimate demand for the use of this funding source is unknown.

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Staff will review all proposed uses for the RZFBs and return to the City Council with recommendations for issuance of RZFBs on a case-by-case basis. In addition, staff is recommending that the Redevelopment Agency (Agency) consider exploring the use of the RZEDB allocation for qualified public purposes in all redevelopment project areas due to the Agency's ability to incur additional debt at this time, the availability of a reliable revenue stream to make debt payments, and the availability of qualified projects, such as public facilities and various street improvement projects throughout its project areas. In addition, since redevelopment agencies statewide are under financial threat by the State, the use of alternative sources of debt enhances the Agency's fiscal stability without placing undue stress on the City's General Fund.

This letter was reviewed by Assistant City Attorney Michael J. Mais on January 11, 2010 and by Budget and Performance Management Bureau Manager David Wodynski on January 8, 2010.

TIMING CONSIDERATIONS

Allowing sufficient time to discuss all potential private and public options for the Recovery Zone Bonds with the City Council is imperative. Therefore, City Council action on this item is requested at the January 19, 2010 City Council meeting, given the fixed deadlines to identify viable projects and issue required debt.

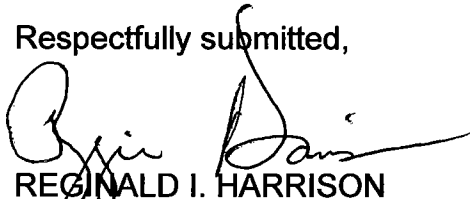
FISCAL IMPACT

This action does not obligate the City to issue any debt. All future requests for Recovery Zone Bonds will be brought to the City Council for further approval.

SUGGESTED ACTION:

Approve recommendation.

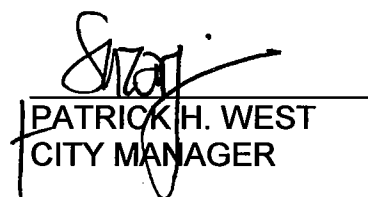
Respectfully submitted,



REGINALD I. HARRISON

INTERIM DIRECTOR OF DEVELOPMENT SERVICES

APPROVED:


PATRICK H. WEST
CITY MANAGER

AJB:ajb

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