



Building A Better Long Beach

December 7, 2009

REDEVELOPMENT AGENCY BOARD MEMBERS

City of Long Beach
California

RECOMMENDATION:

Adopt a resolution designating the territory in the City of Long Beach as a Recovery Zone for purposes of the American Recovery and Reinvestment Act of 2009. (All 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. These bonds are intended to positively stimulate the economy in Recovery Zones.

In order to be eligible for Recovery Zone designation, the area must be identified as having significant poverty, high unemployment, a high rate of home foreclosures or general distress, any area designated by the issuer as economically distressed by reason of the closure or realignment of a military installation pursuant to the Defense Base Closure and Realignment Act of 1990, and any area for which a designation as an empowerment zone or renewal community is in effect as of the effective date of ARRA, February 17, 2009. ARRA does not specify more definitive criteria and provides the issuer with latitude in making the designations.

Due to the current high rate of unemployment, the current rate of home foreclosures and the general economic distress in the City of Long Beach (City), staff proposes to adopt the entire territory within the City as the Long Beach Recovery Zone for the purposes of Section 1400U-1(b) of the Code. The designation of the Long Beach Recovery Zone will enable staff to provide additional access to capital in a highly constrained market and to explore the viability of utilizing the City's allocation for qualifying projects. The City Council took action on November 3, 2009 to adopt the Recovery Zone designation. The Redevelopment Agency (Agency) Board adoption of the same designation will allow the Agency to act as issuer of funds for qualified projects.

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Recovery Zone Bonds consist of two categories, Economic Development and Facility Bonds. Economic Development Bonds are taxable governmental bonds, which 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 Recovery Zone Economic Development Bonds is \$22,235,000. The City and Agency do not receive the allocation as a direct payment. The City and/or Agency as the issuer will receive an advance tax credit equal to 45 percent of the interest payable on the bonds to reduce the effective rate below that of a tax-exempt issuance. The issuer must identify a funding source to pay the debt service if they decide to issue these bonds. Staff will review potential uses for these allocations and the ability of the various funds to support related debt services costs. If there are financially viable projects, staff will return to the Agency with a recommendation for action and authority to issue the bonds.

Recovery Zone Facility Bonds are tax-exempt, private activity bonds, which allow issuers to provide tax-exempt financing for private business development and improvement projects such as large manufacturing plants, distribution centers, hotels, research facilities, etc. As with the Economic Development Bonds, the City and Agency do not receive the allocation as a direct payment. The purpose of the bond is to increase the ability to provide financing for projects that historically would not qualify. The bonds are structured so that the City's General Fund will not be liable in the event that the business is unable to meet annual debt service. The City's allocation of Recovery Zone Facility Bonds is \$33,353,000. Staff will review the best proposed uses for these funds and return to the Agency with recommendations for issuance on a case-by-case basis.

The City's authority to allocate either category of Recovery Zone Bonds is ultimately dependent upon their ability to finance the bond issuance. Recovery Zone Bonds may only be issued until December 31, 2010. Please note that while the federal government has provided Recovery Zone Bond allocations to local jurisdictions, this does not mean that there is actual funding being provided to local governments. What is actually being provided is the ability to issue certain amounts of debt, with new tax benefits, up to a certain amount.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CRAIG BECK
EXECUTIVE DIRECTOR

CB:AJB:MJW

Attachment

RESOLUTION NO. R.A. _____

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF
THE CITY OF LONG BEACH, CALIFORNIA, DESIGNATING THE
TERRITORY IN THE CITY OF LONG BEACH AS A RECOVERY
ZONE FOR PURPOSES OF THE AMERICAN RECOVERY AND
REINVESTMENT ACT OF 2009

WHEREAS, Section 1401 of Title 1 of Division B of the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (2009) (the "Federal Stimulus Act"), added Sections 1400U-1 through 1400U-3 to the Internal Revenue Code of 1986 (the "Code"), authorizing state and local governments to issue recovery zone economic development bonds ("Recovery Zone Economic Development Bonds") and recovery zone facility bonds ("Recovery Zone Facility Bonds") upon compliance with various requirements of the Code; and

WHEREAS, among other requirements, the net proceeds of any Recovery Zone Economic Development Bonds must be used for a "qualified economic development purpose," including to fund capital expenditures paid or incurred with respect to property located in a "recovery zone", and the net proceeds of any Recovery Zone Facility Bonds must be used for "recovery zone property," including property in a "recovery zone" constructed, reconstructed, renovated or acquired after the date on which the designation of the recovery zone took effect; and

WHEREAS, under the Federal Stimulus Act, the City of Long Beach (the "City") has been allocated the authority to issue up to \$22,235,000 principal amount of

Recovery Zone Economic Development Bonds and up to \$33,353,000 principal amount of Recovery Zone Facility Bonds, and the City may transfer all or a portion of such allocations to the Redevelopment Agency of the City of Long Beach (the "Agency") so that the Agency could then issue Recovery Zone Economic Development Bonds or Recovery Zone Facility Bonds, as applicable, in situations where the City may not otherwise have the legal authority to finance certain projects that can be financed by the Agency under applicable California law or where the Agency is otherwise the desired entity to issue such bonds; and

WHEREAS, under the Code, the issuer of any Recovery Zone Economic Development Bonds or Recovery Zone Facility Bonds must be the entity that determines the property to be included in a "recovery zone," and Section 1400U-1(b)(1) of the Code allows for the Agency to designate an area as a "recovery zone" if the area has significant poverty, unemployment, rate of home foreclosure or general distress; and

WHEREAS, due to the current high rate of unemployment, the current rate of home foreclosures and the general distress in the City, the Board of Directors of the Agency now desires to designate the entire territory within the City as a "recovery zone" for purposes of Section 1400U-1(b) of the Code, so that the Agency may be in a position to issue Recovery Zone Economic Development Bonds or Recovery Zone Facilities Bonds as projects to be funded are identified by City staff, the City Council transfers a portion of its allocation to issue such bonds to the Agency and the funding of those projects is approved by the Agency.

NOW, THEREFORE, the Redevelopment Agency of the City of Long Beach, California, resolves as follows:

Section 1. The Agency hereby finds and determines, based upon information provided by City Staff, that the area within the boundaries of the City currently have significant unemployment, significant rates of home foreclosures and/or significant general distress.

Section 2. The Agency hereby designates the entire area within the boundaries of the City as a "recovery zone" for purposes of Section 1400U-1(b) of the Code.

Section 3. This resolution shall take effect immediately upon its adoption by the Agency.

APPROVED AND ADOPTED by the Redevelopment Agency of the City of Long Beach, California, on this _____ day of _____, 2009.

Executive Director/Secretary

APPROVED:

Chair