Meeting Date: 01/12/2009

ACTION	TYPE OF ITEM
☐ Approved Recommendation	☑ Info/Consent
☐ Ord. No(s). _____	☐ Report
☐ Res. No(s). _____	☐ Public Hearing (Info/consent)
☐ Other _____	☐ Other _____

Prepared By: Michael J. More MJM Agenda Item No. I-4

Reviewed By: City Manager City Attorney AH Finance Other *(Specify)*

DATE: January 4, 2010

TO: City Council

FROM: James Cameron, Chief Financial Officer
Finance Department

SUBJECT: **Designation of the City of Oxnard as a Recovery Zone under authorization of the American Recovery and Reinvestment Act of 2009 (ARRA)**

RECOMMENDATION

That City Council adopt a resolution designating an area within the City of Oxnard Recovery Zone for purposes of Sections 1400u-1, 1400u-2 and 1400u-3 of the Internal Revenue Code Of 1986.

DISCUSSION

On February 17, 2009, President Obama signed into law a $787 billion stimulus bill known as the American Recovery and Reinvestment Act of 2009 ("ARRA"). ARRA provided for the issuance of Build America Bonds ("BABs"), in which the federal government provides a direct subsidy directly to local governments to offset interest payments. The City's 2010 Water Revenue Bonds are being issued under the BABs program. In addition, ARRA provided for the issuance of Recovery Zone Economic Development Bonds ("RZEDBs") and Recovery Zone Facility Bonds ("RZFBs"). Both of these types of bonds are subject to an allocation cap that was distributed to various cities and counties by the State of California. The City's initial allocation for RZEDBs and RZFBs is $2,713,000 and $4,069,000, respectively. It is important to note that these are bond financing programs that require an identified source of repayment. Each type of bond is discussed in detail below. In order to issue RZEDBs and RZFBs, City Council must designate an area within the City as a recovery zone. The attached resolution (Attachment No. 1) designates all of the area within the City of Oxnard as a recovery zone due to the significant unemployment and resultant poverty, rate of home foreclosures and general distress existing throughout the City as a consequence of the recent housing market collapse, the impact of the national recession and the effects of the fiscal crisis experienced by the State of California.

Recovery Zone Economic Development Bonds ("RZEDBs"): $2,713,000 Allocation

Bonds issued as RZEDBs can be used to finance nearly any capital expenditure that promotes economic development or economic activity within the designated recovery zone. The RZEDBs cannot

be used for non-profit or private activity purposes. Examples of eligible projects include: public infrastructure (e.g. roads, sewer, water, electric transmission), schools, public buildings, etc. Bonds issued under this allocation benefit from a direct 45% subsidy for interest payments from the United States Treasury in order to reduce the effective interest rate on the bonds, resulting in low interest financing for RZEDB-eligible projects.

Recovery Zone Facility Bonds ("RZFBs"): $4,069,000 Allocation

Recovery Zone Facility Bonds offer private businesses access to tax-exempt financing for a wide variety of private activity projects. Funds from RZFBs can be used to finance the acquisition of depreciable property including manufacturing plants, warehouses, equipment, offices, hotels, restaurants and other private activity improvements which normally do not qualify for tax-exempt financing. The RZFBs do not receive a direct 45% subsidy for interest payments from the United States Treasury. Since this program can be used by private enterprises within the City's recovery zone, staff will work with the Economic Development Corporation (EDCO) and the Community Development Commission (CDC) to identify qualified businesses with eligible projects. Any business that would be eligible under this program would be solely responsible for the debt obligation without any support from the City whatsoever.

Next Steps

In order to maintain its allocations for RZEDBs and RZFBs, the City must: (1) adopt the attached resolution identifying a recovery zone, (2) identify potential projects to be financed using RZEDBs and RZFBs, (3) identify a proposed timeline for all needed City actions and approvals, (4) identify all approvals obtained to date, and (5) identify the anticipated construction start date. All of this information must be submitted to the California Debt Limit Allocation Committee (CDLAC) by January 31, 2010. It is possible that the City's allocation for each type of bond could be more than the initial allocation if other jurisdictions in California do not designate recovery zones and submit the required information to CDLAC by January 31, 2010.

Staff will return to City Council in mid-2010 to seek approval for specific projects to finance using RZEDB and RZFB allocations. A reimbursement resolution or resolution approving issuance of bonds, and approval of the projects must be submitted to CDLAC by August 15, 2010 in order for the City to secure the bond allocations. The bonds for each allocation must be issued by January 1, 2011.

FINANCIAL IMPACT

There is no financial impact associated with this action. Staff will return in mid-2010 to identify projects to finance within the Recovery Zone along with all documents necessary for the issuance of tax-exempt bonds.

MJM

Attachment #1 - Resolution designating the City of Oxnard Recovery Zone for purposes of Sections 1400u-1, 1400u-2 and 1400u-3 of the Internal Revenue Code Of 1986

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OXNARD DESIGNATING THE CITY OF OXNARD RECOVERY ZONE FOR PURPOSES OF SECTIONS 1400U-1, 1400U-2 AND 1400U-3 OF THE INTERNAL REVENUE CODE OF 1986

WHEREAS, Section 1400U-1 of the Internal Revenue Code of 1986, as amended (the "Code") authorizes the City of Oxnard, California (the "City") to designate a "recovery zone" for the purpose of issuing Recovery Zone Economic Development Bonds under Section 1400U-2 of the Code, and for the purpose of issuing Recovery Zone Facility Bonds under Section 1400U-3 of the Code; and

WHEREAS, pursuant to Section 1400U-1(b) of the Code, the term "recovery zone" means (i) any area designated by the City as having significant poverty, unemployment, rate of home foreclosures, or general distress, (ii) any area designated by the City 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 (iii) any area for which a designation as an empowerment zone or a renewal community is in effect;

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Oxnard, that:

Section 1. The City Council hereby finds and determines that significant unemployment, poverty, rate of home foreclosures and general distress exist throughout the City as a consequence of the recent housing market collapse, the impact of the national recession and the fiscal crisis experienced by the State of California and local communities.

Section 2. For purposes of Sections 1400U-1, 1400U-2 and 1400U-3 of the Code, the City Council hereby designates the entire geographic region of the City of Oxnard as a recovery zone. The recovery zone shall be identified as the "City of Oxnard Recovery Zone."

Section 3. This Resolution shall take effect from and after its adoption.

PASSED, APPROVED, AND ADOPTED at a meeting of the City Council of the City of Oxnard on January 12, 2010, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

_____
Dr. Thomas E. Holden, Mayor

ATTEST:

DANIEL MARTINEZ, CITY CLERK

By _____

APPROVED AS TO FORM:

Alan Holmberg
City Attorney