



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
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Staff Report
August 18, 2009

Honorable Mayor and Members of the City Council

Title: Recovery Zone Designation

Location/Council District: Citywide

Recommendation: Adopt a Resolution designating the City as a Recovery Zone (RZ) for the purpose of issuing Federal RZ bonds.

Contact: David Spaur, Director of Economic Development, 808-8196

Presenters: David Spaur, Director of Economic Development, Russ Fehr, City Treasurer

Department: Economic Development, City Treasurer

Division: Citywide

Organization No: 18000, 09500

Description/Analysis

Issue: The American Recovery and Reinvestment Act (ARRA) is a federal response to the national recession providing tools for all levels of government to put to use quickly to achieve short-term stimulus and provide long-term economic recovery. RZ Bonds have been allocated to cities and counties as tools for local governments to utilize before December 31, 2010. The allocation amount is based upon a formula based on the localities decrease in employment relative to the nation and state. The City of Sacramento will be eligible to issue bonds under two programs; an \$8 million allocation of RZ Economic Development Bonds which can be used for public projects and a \$12 million allocation of RZ Facility Bonds for private sector projects.

In order to utilize the RZ Bonds local governments are required to designate "recovery zones" prior to issuing bonds allocated under the Act. The RZ must meet one or more of the following distress indicators:

- Significant poverty
- Significant unemployment
- High rate of home foreclosure
- General distress

The City of Sacramento has experienced a high level of unemployment (11.5%) and combined with a high foreclosure rate and general distress, meets the recommended criteria to designate an RZ.

The zone boundary is also discretionary by City Council. Local governments have wide latitude in designation by devising locally-determined zones that can be based upon other criteria like in-fill sites, transit oriented development, redevelopment areas, and Enterprise Zones. The City has several existing redevelopment areas, in-fill and opportunity sites and has applied for a Citywide State Enterprise Zone designation. In order to maximize the opportunity and to create as many options for projects as possible, staff is recommending designating the entire City as a Redevelopment Zone. By designating a zone citywide, the City would be inclusive of all existing program and project boundaries.

Program Advantages and Eligible Projects:

Under the RZ program there are two types of bonds. RZ Economic Development Bonds are conventional taxable bonds which allow states and localities to obtain financing at lower borrowing costs because the Treasury Department pays the State or locality a direct payment subsidy equal to 45 percent of the coupon interest on the bonds. The RZ Economic Development Bonds can be used by governmental entities for public capital projects in recovery zones and for job training and education. The City's allocation of RZ Economic Development Bonds is \$8 million.

RZ Facility Bonds are a new type of tax-exempt private activity bonds created under ARRA which are available to private projects. The RZ Facility bonds can be used by private businesses for depreciable capital projects (e.g., buildings and equipment) for original use in active businesses in recovery zones. The one exception to this is that these bonds cannot be used for multi-family housing. The City's allocation of RZ Facility Bonds is \$12 million.

Staff will be reviewing projects that might utilize these two bond mechanisms and will be returning to Council within the next few months with recommendations on projects that maximize the opportunity allowed by these bond funds.

Policy Considerations: Designating an RZ is consistent with the City's Economic Development Strategy as it allows the City to take advantage of a tool designed to stimulate economic development and create employment opportunities. The recommended action is also consistent with the 2030 General Plan by positioning the City to be eligible to utilize federal stimulus opportunities to assist in the financing of infrastructure and facilities projects.

Environmental Considerations:

California Environmental Quality Act (CEQA): Under the California Environmental Quality Act (CEQA) guidelines, continuing administrative activities do not constitute a project and are therefore exempt from review.

Sustainability Considerations: The recommended actions would look favorably to the funding of projects that promote and achieve the goals of the City's Sustainability Master Plan.

Commission/Committee Action: N/A

Rationale for Recommendation: The designation of a citywide RZ would take advantage of Federal Stimulus funds made available to the City and further aid in the stimulus of the local and regional economy and promote retention and creation of jobs beneficial to the residents of the City of Sacramento.

Financial Considerations: The issuance and support of Bonds may have an effect on the City's credit status and therefore, it is staff's recommendation that each project brought forward to utilize these funds guarantee repayment of the bonds without reliance on the City's General Fund. The repayment sources will be reviewed and approved by the City Treasurer prior to requesting City Council approval.

Emerging Small Business Development (ESBD): M/WBE may benefit as a result of RZ Bonds issued by the City to private business that may in turn contract with eligible enterprises.

Respectfully Submitted by:



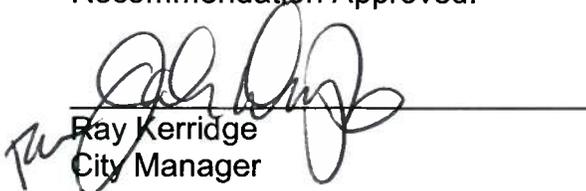
David Spaur
Director Economic Development

Approved by:



Russell Fehr
City Treasurer

Recommendation Approved:



Ray Kerridge
City Manager

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RESOLUTION NO. 2009-

Adopted by the Sacramento City Council

DESIGNATION OF THE CITY OF SACRAMENTO RECOVERY ZONE

BACKGROUND

A. The American Recovery and Investment Act or ARRA has provided Recovery Zone (RZ) Bonds for cities and counties across the United States that have had a severe drop in employment levels.

B. The City of Sacramento is eligible to access two types of RZ Bonds. Economic Development RZ Bonds to be used for City public works, or infrastructure projects, and Facility RZ Bonds to be used for private sector projects.

C. To issue Bonds, Cities and Counties must first designate or create a RZ before Bonds may be issued to fund a project. The designation of the actual zone is discretionary but needs to be based on distress indicators such as unemployment, home foreclosure rates, significant poverty or general distress.

D. The City of Sacramento has experienced a high unemployment rate of 11.5% and a high foreclosure rates both of which can be used as the criteria for designating an RZ.

E. Designating the City as a whole as a RZ would allow for the greatest opportunity to maximize the potential benefit of the bond programs.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. After due consideration of the facts presented, the findings, including the forgoing recitals regarding this action, are approved and adopted.
- Section 2. The criteria used to designate a RZ shall include severe and sudden unemployment, home foreclosure and general distress.
- Section 3. The boundary of the RZ shall be the city limits as they are currently depicted in the attached RZ Map.
- Section 4. Recommendations for RZ Bond funding will be reviewed by the City Treasurer, City Manager or designee prior to forwarding to Council for consideration.

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Exhibit A – Recovery Zone Map

Recovery Zone Map

