

DATE: November 3, 2009

TO: Mayor and City Council
Redevelopment Agency Board Members

FROM: City Manager

SUBJECT: Recovery Zone Bonds

RECOMMENDATION:

That the City Council adopts the attached Resolution designating the entire geographic region of the City of Hayward as a Recovery Zone.

BACKGROUND:

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 ("ARRA"), which created several financing tools that could aid in economic revitalization of California counties and cities. One of the tools identified was Recovery Zone Bonds. These bonds are targeted at stimulating economic recovery in areas designated as "Recovery Zones." A Recovery Zone is defined as (i) any area designated by a qualifying county or large city as having significant poverty, unemployment, home foreclosure rates, or general distress; (ii) any area distressed by reason of the closure or realignment of a military installation pursuant to the Defense Base Closure and Realignment Act of 1990; or (iii) any area for which a designation as an empowerment zone or renewal community is in effect.

DISCUSSION:

Two types of Recovery Zone Bonds are associated with ARRA:

- Recovery Zone Economic Development Bonds (RZEDB's) are taxable government bonds to be issued for promoting development or other economic activity by government, including capital expenditures paid or incurred in connection with property, public infrastructure, construction of public facilities, job training, and educational facilities. The Federal Government will reimburse local government issuers 45% of interest paid. The City of Hayward's allocation of Recovery Zone Economic Development Bonds is \$1,833,000.
- Recovery Zone Facility Bonds (RZFB's) are tax-exempt private activity bonds issued to qualifying businesses including retail centers, hotels, office buildings, research parks,

manufacturing plants, and industrial buildings. The City of Hayward's allocation of Recovery Zone Facility Bonds is \$2,750,000.

As noted above, the City of Hayward has received formula allocations of \$1,833,000 in RZEDB and \$2,750,000 in RZFB for areas that the City designates as "Recovery Zones." In order for the City of Hayward to be eligible to receive its allocation, the City must declare a Recovery Zone by formal resolution. Due to the citywide impact of the national recession on unemployment rates, rising home foreclosures, and the resulting overall distress to the local economy, the entire geographic region of the City of Hayward can be designated as a Recovery Zone, thus allowing the City to take full advantage of the Recovery Zone Bond opportunities. Similarly, other cities such as Riverside and West Covina have already declared their entire regions as Recovery Zones to allow for the most flexibility to apply the future bond proceeds; and subsequently other cities are in the process of doing the same.

FISCAL IMPACT:

There is no fiscal impact to the General Fund as a result of designating the City of Hayward as a Recovery Zone. However, successful issuance of these bonds could augment some of the Redevelopment Agency's commitments for infrastructure improvements, could be tied to other tax-allocation bonds, as well as applied to private sector investments that are related to various redevelopment projects or any project based on the criteria above. These bond proceeds can be leveraged against other financial resources, substituted for them, or added on to other investment tools.

ECONOMIC IMPACT:

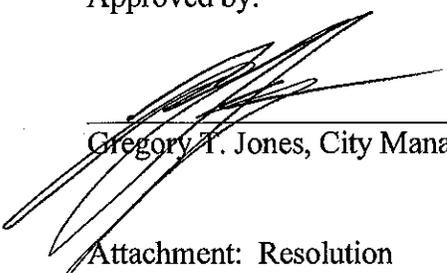
There is no economic impact currently as a result of designating the City of Hayward as a Recovery Zone. However, should the City become a Recovery Zone and subsequent bonds are issued, the proceeds can be leveraged with private investment which would have a positive economic impact. Having a Recovery Zone in the City of Hayward allows the City to be eligible for its current allocation and possibly future ones. The potential bond proceeds could be used as another financing tool to stimulate development in coordination with the current resources available. Likewise, other Bay Area cities such as Berkeley, Fremont, and Oakland have also received an allocation and are preparing to take similar measures. As indicated, the overall goal of ARRA and specifically the Recovery Bonds is to promote development or other economic activity. These tools can be useful in accomplishing that objective.

NEXT STEPS:

Should the City Council move forward and approve the City of Hayward as a Recovery Zone, staff will identify potential projects/developments where such bond proceeds could be applied, including willing private sectors partners.

Prepared by:
Sean Brooks, Economic Development Manager

Approved by:



Gregory T. Jones, City Manager

Attachment: Resolution

HAYWARD CITY COUNCIL

RESOLUTION NO. 09-

Introduced by Council Member _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
HAYWARD DESIGNATING THE CITY OF HAYWARD A
RECOVERY ZONE FOR THE PURPOSES OF SECTIONS
1400U-1, 1400U-2, and 1400U-3 OF THE INTERNAL
REVENUE CODE OF 1986, AS AMENDED

WHEREAS, Section 1400U-1 of the Internal Revenue Code of 1986, as amended (the "Code") authorizes the City of Hayward (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 (1) any area designated by the City as having significant poverty, unemployment, rate of home foreclosures, or general distress, (2) 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 (3) 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 Hayward as follows:

Section 1: The City Council of the City of Hayward, in regular session assembled on _____, 2009, resolved, found, determined, and ordered that the entire City of Hayward may be designated as a recovery zone due to the City's unemployment, rate of foreclosures, and general distress based on current economic conditions. These conditions are 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: The City Council of the City of Hayward, for the purposes of Sections 1400U-1, 1400U-2 and 1400U-3 of the Code, hereby designates the entire City of Hayward as a recovery zone. The recovery zone shall be identified as the "City of Hayward Recovery Zone."

Section 3: This resolution shall take effect immediately upon adoption.

Section 4: The City Clerk shall certify to the adoption of this resolution.

HAYWARD, CALIFORNIA _____, 2009

ADOPTED BY THE FOLLOWING VOTE:

AYES: CITY COUNCIL MEMBERS:
MAYOR:

NOES: CITY COUNCIL MEMBERS:

ABSENT: CITY COUNCIL MEMBERS:

ABSTAIN: CITY COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward