

FILED
OFFICE OF THE CITY CLERK
OAKLAND
2009 DEC 22 PM 5:53

CITY OF OAKLAND



CITY HALL • 1 FRANK H. OGAWA PLAZA • OAKLAND, CALIFORNIA 94612

Office of the City Administrator
Dan Lindheim
City Administrator

(510) 238-3301

January 12, 2010

Community Economic Development Committee
Oakland, California

Chairperson Dela Fuente and Members of the Committee:

RE: Report and Resolution Designating the City of Oakland a Recovery Zone Pursuant to 26 U.S.C. §§ 1400U-1-1400U-3 as enacted by the American Recovery and Reinvestment Act of 2009 (Federal Government's "Stimulus Package")

SUMMARY

Under the American Recovery and Reinvestment Act of 2009 ("ARRA" or Federal Government's "Stimulus Package"), Oakland was allocated \$5,054,000 in Recovery Zone Economic Development Bonds (RZEDB) and \$7,581,000 in Recovery Zone Facility Bonds (RZFB) to use for economic development purposes. To access this bonding capacity Oakland must designate an area as a "Recovery Zone." Both RZEDB and RZFB must be issued before January 1, 2011 and cannot be used to finance expenditures before the designation of the Recovery Zone. Recently the California Debt Limit allocation Committee (CDLAC) revised the CDLAC Procedures related to the Recovery Zone Bond Program. Localities are required to submit a Plan of Issuance to the CDLAC no later than January 31, 2010 in order to preserve their allocations. The Plan should include a brief description of the projects to be funded and a copy of the locally-approved Designation of Recovery Zone resolution.

A Recovery Zone is defined as (1) any area designated by a qualifying county or large city as having significant poverty, unemployment, home foreclosure rates, or general distress; (2) 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 (3) any area for which a designation as

Item #: _____
CED Committee
January 12, 2010

an empowerment zone or renewal community is in effect. 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 Oakland can be designated as a Recovery Zone, thus allowing the City to take full advantage of the Recovery Zone Bond opportunities and for the most flexibility in designating a Recovery Zone so that bonds may be issued in the future.

Staff recommends that the Council designate the whole city a Recovery Zone to have the most flexibility and discretion as to where and for what projects this money can be used. A preliminary Economic Development Project List will be submitted to the California Debt Limit Allocation Committee, State of California to preserve \$5,054,000 in Recovery Zone Economic Development Bonds (RZEDB) and \$7,581,000 in Recovery Zone Facility Bonds (RZFB) to use for economic development purposes.

FISCAL IMPACT

There is no fiscal impact to the City's General Fund as a result of designating the City of Oakland as a Recovery Zone. Successful issuance of these bonds could finance some of the Redevelopment Agency commitments for infrastructure improvements, and could be tied to other tax allocation bonds as well as applied to private sector investments that are related to various Agency or City projects. These bond proceeds can be leveraged against other financial resources substituted for them or added onto other investment tools.

KEY ISSUES AND IMPACTS

The ARRA created several financing tools that could aid in the economic revitalization of California counties and cities, including Recovery Zone Bonds. These bonds are targeted at stimulating economic recovery in areas designated as Recovery Zones. A Recovery Zone is defined as (1) any area designated by a qualifying county or large city as having significant poverty, unemployment, home foreclosure rates, or general distress; (2) 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 (3) any area for which a designation as an empowerment zone or renewal community is in effect.

Two types of Recovery Zone Bonds are associated with the ARRA Recovery Zone:

- **Economic Development Bonds** 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 Oakland's allocation of Recovery Zone Economic Development Bonds is \$5,054,000.

Recovery Zone Economic Development bonds cannot be used to refinance existing bonds and are not a federally guaranteed bond.

- **Recovery Zone Facility Bonds** 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 Oakland's allocation of Recovery Zone Facility Bonds is \$7,581,000.

In order for the City of Oakland 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 Oakland can be designated as a Recovery Zone. The citywide designation allows the City to take full advantage of the Recovery Zone Bond opportunities and provides for the most flexibility to apply the future bond proceeds.

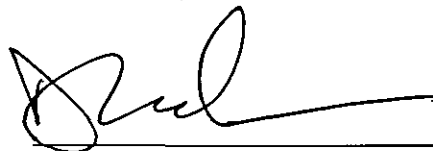
Under the RZEDB and RZFB regulations, funding through the issuance of bonds can only be provided to projects beginning after the designation of a recovery zone. It is important to note that the City will still need to acquire a funding source to pay the debt service on any Recovery Zone Bond that may be issued. Staff is currently working to identify these sources of repayment.

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 Oakland allows the City to be eligible for both the current allocation and possibly future ones.

RECOMMENDATION

Staff recommends that the Council approves the resolution designating the City of Oakland as a Recovery Zone and authorizing the City Administrator to submit a Recovery Zone Bond Allocation Plan of Issuance to the California Debt Allocation Committee, State of California.

Respectfully submitted,

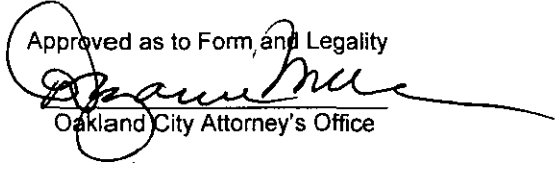


Dan Lindheim
City Administrator

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2009 DEC 22 PM 5:53

Approved as to Form, and Legality


Oakland City Attorney's Office

OAKLAND CITY COUNCIL

Resolution No. _____ C.M.S.

**RESOLUTION DESIGNATING THE CITY OF OAKLAND A
RECOVERY ZONE PURSUANT TO 26 U.S.C. §§ 1400U-1-1400U-3
ENACTED BY THE AMERICAN RECOVERY AND
REINVESTMENT ACT OF 2009 (FEDERAL GOVERNMENT'S
"STIMULUS PACKAGE")**

WHEREAS, it is anticipated that the U.S. Government will award grant funds in the amount of approximately \$787 million dollars from the American Recovery and Reinvestment Act of 2009 (Federal Government's "Stimulus Package") to state and local governments to stimulate the economy by creating and preserving jobs, and

WHEREAS, the City of Oakland may be eligible to receive a portion of the grants funds; and

WHEREAS, due the urgent economic conditions, the federal government is releasing information on an ongoing basis regarding application deadlines and the criteria for funding and the types of programs, projects that will qualify for the funding and the Mayor, City Administrator and the City Council wish to be in the best posture (1) to be apprised of and updated regarding developments regarding the Stimulus Package and the City's options and (2) to prepare and complete and revise as necessary timely grant applications and (3) to obtain the maximum amount of grant funds for which the City of Oakland may be eligible; and

WHEREAS, the American Recovery and Reinvestment Act of 2009 (ARRA), amends Section 1400U-1 of the Internal Revenue Code (the "Code"), and authorizes the City of Oakland (the "City") to designate a recovery zone for the purpose of issuing Recovery Zone Economic Development Bonds and Recovery Zone Facility Bonds under Section 1400U-2 and 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 Closure and Realignment Act of 1990, and (iii) any area for which designation as an empowerment zone or renewal community is in effect; and

WHEREAS, the City has the authority to issue up to \$5,045,000 in Recovery Zone Economic Development bonds and \$7,581,000 in Recovery Zone Facility Bonds; now, therefore, be it

RESOLVED, that the City has an unemployment rate of 17 percent 5.4 percent above the state unemployment rate(as of June 2009), a poverty rate of 18.1 percent 5.1 percent above

the state poverty level, and is generally economically distressed by these factors as well as the realignment of the Oakland Army Base; and be it

FURTHER RESOLVED, that Council designates the entire incorporated area of Oakland as a recovery zone. The recovery zone shall be identified as "City of Oakland Recovery Zone."

FURTHER RESOLVED: that the City Council hereby authorizes the City Administrator to conduct negotiations, execute documents, and take any other action with respect to the designation of Oakland as a recovery zone and activities consistent with this Resolution and its basic purpose; and be it

FURTHER RESOLVED: that prior to execution, all contracts and agreements shall be reviewed and approved for form and legality by the Office of the City Attorney and a final copy shall be placed on file in the Office of the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES -BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, QUAN, REID,
AND PRESIDENT BRUNNER

NOES -

ABSENT -

ABSTENTION -

ATTEST:

LATONDA SIMMONS
City Clerk and Clerk of the Council of
the City of Oakland, California