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2010 JAN 13 PM 7:01

CITY OF OAKLAND



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Office of the City Administrator
Dan Lindheim
City Administrator

(510) 238-3301

January 19, 2010

City Council
Oakland, California

President Brunner and Members of the City Council:

RE: Supplemental 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

This report is in response to a request by the Community and Economic Development Committee on January 12, 2010, for further elaboration on the Recovery Zone Bond Program eligible uses of bond proceeds. The Committee also requested that staff provide a general list of projects that would be included in the City's Recovery Zone Bond Program Issuance Plan due to the California Debt Limit Allocation Committee (CDLAC) by January 31, 2010. Oakland was allocated \$5,054,000 in Recovery Zone Economic Development Bonds (RZEDB) and \$7,581,000 in Recovery Zone Facility Bonds (RZFB). To access this bonding capacity the City must designate an area as a "Recovery Zone."

Staff recommends that the Council designate the entire city as a Recovery Zone to provide for the most flexibility in determining the use of these funds.

Item #: _____
Council
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KEY ISSUES AND IMPACTS

The Recovery Zone Bond Program is a financing tool to assist in economic revitalization efforts. The Bonds, if used by the City, can offer lower borrowing costs for publicly sponsored and private development projects. The goal is to promote job creation and economic recovery in areas affected by employment declines.

What are eligible uses of Recovery Zone Facility Bonds?

Recovery Zone Facility Bonds (RZFB) are to be used to finance tax-exempt private activities. Eligible uses include: acquiring existing property located outside of a Recovery Zone and placing such assets “in service” within a designated Recovery Zone; acquiring any depreciable property that meets the following criteria: (a) acquired after the date of designation of a recovery zone, (b) the original use of which occurs in the zone and (c) substantially all of the use of the property is in the active conduct of qualified businesses, which is defined to include trade or business except for residential rental facilities or other banned uses.

The City of Oakland’s allocation of Recovery Zone Facility Bonds is \$7,581,000.

What are eligible uses of Recovery Zone Economic Development Bonds?

Recovery Zone Economic Development Bonds (RZEDB) are governmental bonds to be used for governmental purposes that will allow the county or city to borrow on a lower cost than traditional tax-exempt financing. RZEDBs may be issued for purposes of promoting development or other economic activity, including public infrastructure, job training, or educational facilities. Other eligible uses include new capital expenditures. The federal government will reimburse local government issuers 45% of interest paid.

The City’s allocation of Recovery Zone Economic Development Bonds is \$5,054,000.

Recovery Zone Bond Program Issuance Plan:

In order to preserve the City’s RZFB and RZEDB allocations, the City must provide the California Debt Limit Allocation Committee with a Plan of Issuance no later than January 31, 2010. The Plan should include a recovery zone designation resolution and a description of the projects that could be funded. In addition, a project issuance timeline is to be included.

The City then has until July 1, 2010 to submit a formal project list to the CDLAC along with a Notice of Intent to Issue Bonds. Staff will return to the Council for approval of the final list prior to its submittal.

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.

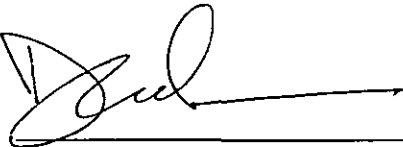
List of Possible Oakland Projects:

Staff has prepared a list of potential projects that meet the preliminary requirements of the Recovery Bond Program for purposes of the Plan of Issuance submittal. *Attachment A*. This information provides a placeholder for the City's allocation of RZEDB and RZFB. Staff will continue to assess the feasibility of these projects for purposes of financing by the Recovery Act bonds. The opportunity exists to finance projects that are not included in the January 31, 2010 submission and include them in the July 1, 2010 submission to CDLAC. This specific plan will go to Council for its approval prior to the July 1, 2010 deadline.

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. Staff will continue to develop the project list and return to the Council for approval prior to July 1, 2010.

Respectfully submitted,



Dan Lindheim
City Administrator

Attachment A:
(Draft)
Recovery Zone Bond Issuance Plan Projects

The CDLDC is requiring each Recovery Zone Bond Program recipient to submit a general list of eligible projects by January 31, 2010. This list will need to be finalized by July 1, 2010.

Recovery Zone Economic Development Bond Program:

Public Facilities and Infrastructure to support Economic Development Projects. Eligible uses also include job training and educational facilities.

- Public Facility Examples:
 - Scotlan Convention Center Improvements
 - Kaiser Convention Center Improvements
 - East Oakland Sports Center facility construction
 - Relocation of City Public Works Center (Coliseum Way)

- Public Infrastructure Project Examples:
 - Projects identified in the City's Capital Improvement Program (CIP)
 - Phase 1 Public Infrastructure support to OARB Development
 - Public Infrastructure for Major Retailer Development
 - East Oakland Industrial Business District Infrastructure Program

Recovery Zone Facility Bond Program:

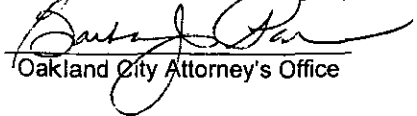
Tax exempt bond financing for *private* Economic Development project examples:

- Scotlan Center/Marriott Hotel Renovations
- OARB Master Development – Infrastructure (Phase I)
- Retailer Infrastructure & Land Assembly
- Oakland Airport Business Park Infrastructure & Modernization
- Mandela Parkway Innovation Project – Infrastructure Development
- City Parking Garage Improvements or Modernizations
- ORA Caltrans property acquisition & development projects
- Redevelopment Agency Retail/ Redevelopment Projects (Central City East (6) sites, Coliseum Redevelopment Area (3) sites and Central District (1) site)
- Fruitvale Phase II Transit Oriented Development (TOD)
- Coliseum BART Transit Village TOD; Lake Merritt BART TOD; West Oakland TOD; Mac Arthur BART Transit Village TOD
- City Walk Development
- Oak to Ninth Development
- Oak Knoll Development
- Jack London Square Development
- Alta Bates-Summit, Children's Hospital, Alameda County Medical Center and Kaiser Permanente Master Plan projects

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REVISED
1-12-10

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