

STAFF REPORT
Lancaster Redevelopment Agency

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01/26/10
MVB

DATE: January 26, 2010

TO: Chairman Parris and Agency Directors

FROM: Vern Lawson, Jr. Economic Development/Redevelopment Director

SUBJECT: **Lancaster City Recovery Zone Designation**

Recommendation:

Adopt **Resolution No. 06-10**, designating the Lancaster City Recovery Zone in accordance with the American Recovery and Reinvestment Act of 2009 for the purposes of issuing taxable Recovery Zone Economic Development Bonds and tax-exempt Recovery Zone Facility Bonds.

Fiscal Impact:

Not applicable.

Background:

The American Recovery and Reinvestment Act (Recovery Act) was signed into law on February 17, 2009. This action amended the Internal Revenue Code creating two new methods of federally subsidized financing available to local governments to support economic development: Recovery Zone Economic Development Bonds (RZEDBs) and Recovery Zone Facility Bonds (RZFBs). States, counties and large municipalities (population over 100,000) were given direct allocation of bonds to be used by January 1, 2011, to finance certain qualified economic purposes for use within a designated "Recovery Zone." As a result of the direct allocation, the United States Department of Treasury awarded the City of Lancaster an allocation of \$12.7 million in Recovery Zone Bonds.

Summary:

The City of Lancaster has been allocated \$12.7 million in Recovery Zone Bonds through the American Recovery and Reinvestment Act of 2009. These bonds must be used by January 1, 2011. The first step in the process to access these bonds is the designation of the City as a Recovery Zone and is the action being presented at this time. Without this designation, local businesses would not be able to take advantage of this funding opportunity. Adopting the resolution creates the designated Recovery Zone but does not authorize any bonds to be issued. The Lancaster Redevelopment Agency will need to approve any issuance of bonds through a subsequent public hearing process.

The City must designate a "Recovery Zone" which the Recovery Act defines as "any area designated by the issuer as having significant poverty, unemployment, rate of home foreclosure,

or general distress. Unemployment in the City of Lancaster has risen well beyond the statewide average of 12% to 17.7%. Lancaster City is also designated as a California Enterprise Zone with similar goals to reduce poverty by increasing employment opportunities. It is therefore recommended that the Lancaster City Recovery Zone consist of the geographic boundaries of the Lancaster Enterprise Zone, which encompasses 74% of all the commercial and industrial zoned areas in the City.

The Lancaster City Recovery Zone Bond allocation is as follows:

\$5,076,000 – Recovery Zone Economic Development Bonds (RZEDB) - These taxable public purpose bonds enable the City to issue bonds to finance public purpose projects. The Federal government would subsidize 45% of interest costs incurred by any bond the City issues through the program. Management staff will consider the potential value of utilization of such bonds.

\$7,614,000 - Recovery Zone Facility bonds (RZFB) - These tax exempt private activity bonds are economic development bonds to assist local agencies in stimulating economic growth by supporting selected private development projects. The City would act as the conduit issuer of the bonds for projects that meet the requirements of the Recovery Act and would not be liable or obligated to pay any debt incurred as a result of issuance. The City has already been approached by one firm with interest in accessing these funds.

The action being considered is the designation of a “Recovery Zone” within the City of Lancaster and does not authorize any bonds to be issued at this time. Any further action pertaining to accessing this allocation through the issuance of bonds will be presented to the Lancaster Redevelopment Agency at a public hearing at a later date.

VL:sg

Attachment:
Resolution No. 06-10