



Legislation Text

File #: 10-0704, **Version:** 1

Resolution Designating Citywide Recovery Zone

Recommended for Council is a Resolution Designating City of Ann Arbor Recovery Zone for Purposes of the American Recovery and Reinvestment Act of 2009 ("ARRA"), pursuant to which all areas within the City's boundaries are designated as a "recovery zone".

ARRA provides significant federal tax incentives for the financing of projects undertaken within a "recovery zone", through the issuance, prior to January 1, 2011 (subject to possible extension by federal legislation yet to be enacted), of Recovery Zone Economic Development Bonds ("RZEDBs") for public infrastructure and facilities and Recovery Zone Facility Bonds ("RZFBs") for qualifying commercial and industrial private activity projects, each subject to bond issuance volume cap limits. Under ARRA the City is permitted to issue up to \$11,511,000 of RZEDBs and up to \$17,266,000 of RZFBs (subject to possible increases under federal legislation yet to be enacted).

The first step toward issuance of any RZEDBs or RZFBs is for the City to designate the City's "recovery zone" for purposes of ARRA. Because one or more of the necessary ARRA conditions for designation of a recovery zone exist throughout the City ("significant poverty, unemployment, rate of home foreclosures, or general distress"), it is recommended that the entire City be designated as a "recovery zone," which is the approach that has been taken by most municipalities in Michigan and elsewhere in the country, due to the pervasive impact of the financial and economic crisis that began in 2008.

The Resolution authorizes the Chief Financial Officer to take necessary actions to facilitate the issuance of RZEDBs and RZFBs. Issuance of such bonds would remain subject to required statutory procedures, including approvals by the City Council and other municipal bodies, as necessary.

The City's bond counsel, Dykema Gossett, prepared this Resolution with further review by the City Attorney.

Prepared by: Tom Crawford, Chief Financial Officer

Reviewed by: Mary Joan Fales, Senior Assistant City Attorney

Approved by: Roger W. Fraser, City Administrator

CITY OF ANN ARBOR

County of Washtenaw, State of Michigan

RESOLUTION DESIGNATING CITY OF ANN ARBOR RECOVERY ZONE FOR PURPOSES OF THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

Minutes of a regular meeting of the City Council of the City of Ann Arbor (the "City"), County of Washtenaw, State of Michigan held on Thursday, August 5, 2010, at 7:00 o'clock p.m. Eastern

Daylight Time.

PRESENT: Councilmembers Smith, Briere, Derezinski, Rapundalo, Taylor, Teall, Hohnke, Anglin and Mayor

Hieftje, 9;

ABSENT: Councilmembers Kunselman and Higgins, 2.

The following preamble and resolution were offered by Councilmember Hohnke and supported by Councilmember Teall:

WHEREAS, The American Recovery and Reinvestment Act of 2009, enacted by the U.S. Congress on February 19, 2009 (“ARRA”), permits each State and counties and large municipalities (municipalities with population over 100,000) within each State to issue (a) recovery zone economic development bonds (“RZEDBs”) to finance qualified economic development projects within a municipally designated recovery zone, including capital expenditures for public infrastructure and public facilities, and (b) recovery zone facility bonds (“RZFBs”) to finance qualifying private activity “recovery zone property”, including depreciable real and personal property within a municipally designated recovery zone, for the benefit of private commercial and industrial trades or businesses (with limited exceptions);

WHEREAS, A “recovery zone” for purposes of ARRA includes any area determined by the governing body of a municipality as having significant poverty, unemployment, rate of home foreclosures, or general distress;

WHEREAS, RZEDBs are issuable as taxable bonds, for which a federal tax subsidy is provided in the form of either a tax credit to the holder of the bonds or a reimbursable tax credit directly paid to the issuing governmental unit equal to 45% of each interest payment on the bonds;

WHEREAS, RZFBs are issuable as traditional tax-exempt bonds (i.e., interest on the bonds is excludable from the gross income of the holders of the bonds for federal income tax purposes);

WHEREAS, Congress capped the aggregate nationwide issuance of RZEDBs at \$10 billion and of RZFBs at \$15 billion, and required that such volume caps be divided up among States and subdivided among counties and large municipalities on the basis of proportionate decline in employment from December 2007 to December 2008;

WHEREAS, Pursuant to ARRA, the portion of the RZEDB volume cap allocated to the City is \$11,511,000, and the portion of the RZFB volume cap allocated to the City is \$17,266,000, with the possibility of additional volume cap allocations pursuant to federal legislation yet to be enacted;

WHEREAS, Under current law, RZEDBs and RZFBs must be issued before January 1, 2011, which date may possibly be extended by federal legislation yet to be enacted;

WHEREAS, It is in the best interests of the City to assist businesses and projects that qualify for the issuance of RZFBs (without recourse of any kind to the City’s own funds, properties or credit), as well as to permit the City to finance qualifying public infrastructure and public facilities on an

advantageous basis through the issuance of RZEDBs; and,

WHEREAS, All areas of the City have evidenced one or more of ARRA's indicia of economic distress supporting designation as a "recovery zone," and it is therefore necessary and appropriate for the City Council to designate all property within the boundaries of the City as a "recovery zone" under ARRA.

RESOLVED, That the City Council finds that the conditions set forth under ARRA for qualification of a geographic area as a "recovery zone" exist throughout the City;

RESOLVED, That the City Council hereby designates all property within the boundaries of the City as a "recovery zone" for purposes of the American Recovery and Reinvestment Act of 2009, effective immediately;

RESOLVED, That the Chief Financial Officer of the City is hereby authorized on behalf of the City to take such actions as may be necessary or appropriate to fulfill the purposes of this resolution, including but not limited to notification to the State of Michigan and the United States government that the City has designated the aforementioned geographic area as a "recovery zone" under ARRA, and to establish procedures and conditions for the issuance by the City or other qualified bond issuers of RZEDBs and RZFBs, and for the use or assignment of the City's RZEDB and RZFB volume cap allocations, and to take such other actions as may be necessary or desirable to satisfy any additional conditions or qualifications now existing or hereafter established under ARRA relating to the issuance of RZEDBs and RZFBs and the allocation of volume cap amounts with respect thereto; and

RESOLVED, That all resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution be and the same hereby are rescinded.

AYES: Councilmembers Smith, Briere, Derezinski, Rapundalo, Taylor, Teall, Hohnke, Anglin and Mayor Hieftje,

9;

NAYS: 0.

ABSENT: Councilmembers Kunselman and Higgins, 2.

RESOLUTION DECLARED ADOPTED.

Jacqueline Beaudry, City Clerk

October 7, 2010