

RECOVERY ZONE BOND PROGRAM FACT SHEET

BACKGROUND

The American Recovery and Reinvestment Tax Act of 2009 (Recovery Act) created a new category of bonds called Recovery Zone Bonds (RZBs), which are broken into two types: Recovery Zone Economic Development Bonds (RZEDBs) and Recovery Zone Facility Bonds (RZFBs). Recovery Zone Bonds are intended to stimulate economic recovery in “recovery zones.” The Recovery Act provides that RZBs may only be issued until December 31, 2010.

Recovery Zone Bonds may be issued by a state, a county which has received an allocation from a state, or another entity whom the county designates as having issuance authority to issue bonds on behalf of that county (such as port authorities).

ALLOCATIONS

Under the Recovery Act, the Federal government allocates each category of Recovery Zone Bonds to the states based on each state’s decrease in employment compared to the national decrease in employment. States then allocate their allocation to counties and large municipalities based on their decrease in employment compared to the state’s decrease in employment.

Medina County’s allocation for the RZEDBs is \$8,796,000. The County’s allocation for the RZFBs is \$13,194,000.

The Medina County Commissioners are now responsible for assigning allocations for these bonds to eligible borrowers who have projects in eligible recovery zones. Borrowers can be public or private entities, as long as the use of bond proceeds conforms to RZB provisions.

The Commissioners have advertised the opportunity for potential borrowers to apply for an allocation. The County will then determine which projects will be granted an allocation, based on the project proposals it receives by October 31, 2009.

RECOVERY ZONE – DEFINITION

A “recovery zone” is any area that has been designated by the county/large municipality as having significant poverty, unemployment, home foreclosure or general distress, or any area affected by military realignment, or any area that has been designated as an empowerment zone or a renewal community.

There is some leeway in how each county can define recovery zones in their communities, and Medina County defined a set of recovery zones in the County on August 24, 2009. Census block groups in the following communities are designated as recovery zones based on their populations of Low to Moderate Income (LMI) residents: Medina City, Chippewa Lake/Lafayette Township, Spencer Village/Spencer Township, Homer Township, Harrisville Township, Lodi Village, Lodi/Harrisville Township, Gloria Glens/Westfield Township and Brunswick City. In addition, any area in Medina County designated as an Enterprise Zone or a Community Reinvestment Area is also included in the definition of recovery zones. Check maps to verify whether a project is in a recovery zone (see www.co.medina.oh.us/rbond.htm for map links), or call MCEDC at 330-722-9215.

RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS

RZEDBs are governmental bonds to be used for governmental purposes that will allow a county 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 and construction of public facilities or job training and educational facilities, in an area that has been designated by the county as a "recovery zone."

RZEDBs are taxable bonds; the interest earned by the holders of the bonds is subject to taxation and the rate of interest paid by the county (or the designated issuer) would presumably be higher than that on tax-exempt bonds. However, the federal government would reimburse the county (or the designated issuer) for 45% of the interest payable on the bonds. This direct federal subsidy payment makes the true cost of the interest paid lower than that paid on tax-exempt bonds.

Projects using proceeds from RZEDBs are subject to federal Davis-Bacon prevailing wage requirements.

RECOVERY ZONE FACILITY BONDS

RZFBs permit counties to provide tax-exempt financing for projects which historically would not qualify, such as large manufacturing plants, distribution centers, hotels, research parks. RZFBs are private activity bonds and are classified as "exempt facility bonds" for tax purposes.

RZFBs may be issued to fund any depreciable property that (a) was acquired after the date of designation of a "recovery zone," (b) the original use of which occurs in the recovery zone and (c) substantially all of the use of the property is in the active conduct of a "qualified business." "Qualified business" is defined to include any trade or business except for residential rental facilities or other specifically listed "bad projects", such as golf courses, massage parlors, gambling facilities, etc.

Volume Cap is not required for RZFBs, and there is no prohibition on acquiring existing property. Projects using proceeds from RZFBs are subject to any applicable State of Ohio law prevailing wage requirements.