

Bergen County Recovery Zone



DRAFT DOCUMENT

April 2010

ARRA

- Created by the Federal American Recovery and Reinvestment Act (ARRA) to:
 - Foster economic recovery
 - Create jobs by increasing employment
 - Grow the economy

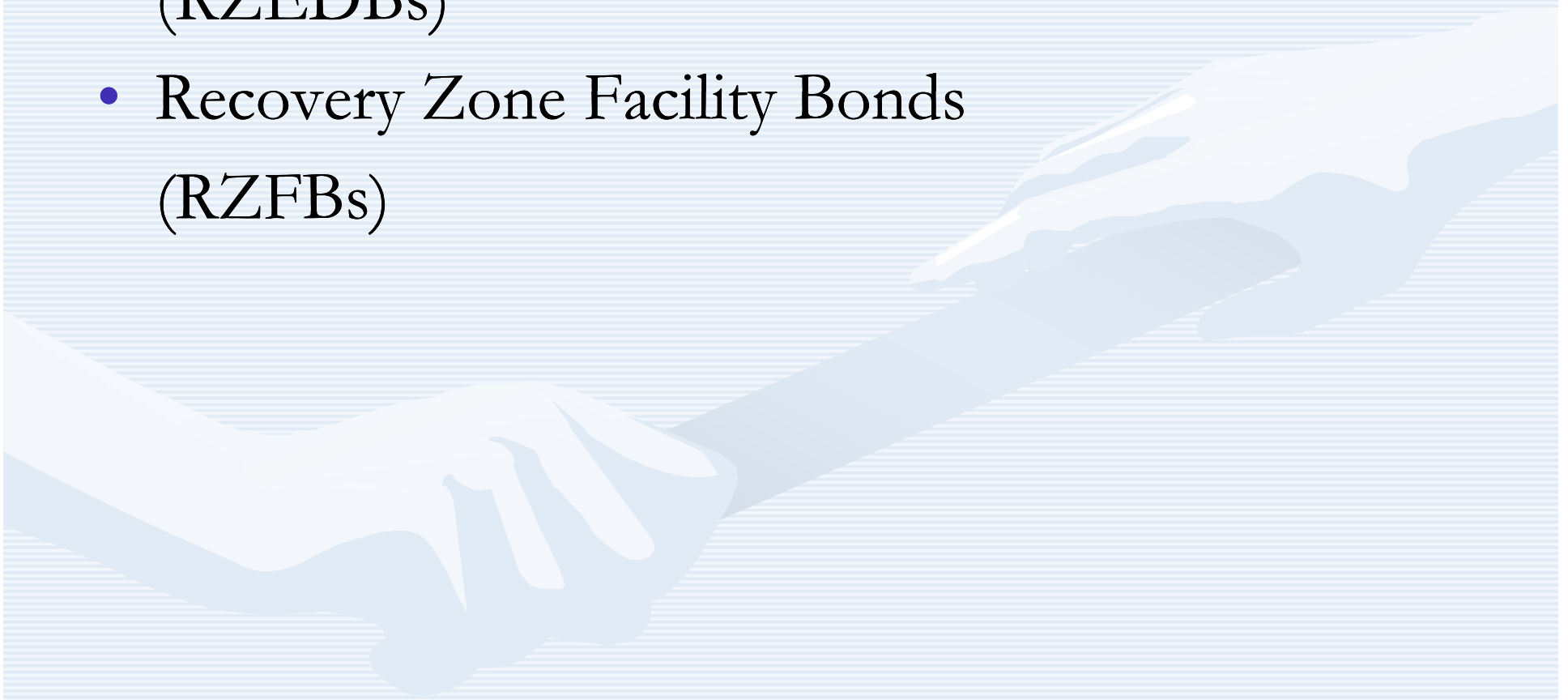


What is a Recovery Zone?

- New form of bonds for use in a designated “recovery zones”
- These zones are designated as areas with significant poverty, unemployment, home foreclosures or general distress, or any area for which designation as an empowerment zone or renewal community is in effect
- By declaring entire Bergen County as a Recovery Zone
 - Our 70 municipalities will have access to these bonds

Two Types of Recovery Zone Bonds

- Recovery Zone Economic Development Bonds (RZEDBs)
- Recovery Zone Facility Bonds (RZFBs)



Recovery Zone Economic Development Bonds (RZEDBs)

- Taxable governmental bonds that:
 - Provide a Federal Subsidy to offset a portion of the government unit's borrowing costs
 - Direct payment cash subsidy to County
 - Equal to 45% of total interest expense payable to bondholders on these taxable bonds
 - May be used to finance certain governmental economic development projects

Recovery Zone Economic Development Bonds (RZEDBs)

- Permitted uses:
 - Capital expenditures paid or incurred with respect to property located in a Recovery Zone
 - Expenditures for:
 - public infrastructure and construction of public facilities
 - job training and educational programs



Recovery Zone Economic Development Bonds (RZEDBs)

- Conditions:
 - Bonds cannot be issued to refund other bonds, and must be issued by January 1, 2011
 - Even the Economic Development Bonds are taxable bonds, they must satisfy the requirements for tax-exempt issuances, such as public use, arbitrage and rebate rules

Recovery Zone Facility Bonds (RZFBS)

- Tax-exempt private activity bond:
 - With no “direct payment” subsidy payments that are not subject to the Alternative Minimum Tax (AMT)
 - Enable state and local issuers to provide tax-exempt financing for historically ineligible private projects
 - May be issued for any depreciable property built, renovated, or acquired after the designation date as a Recovery Zone

How Bergen County can Benefit

- By declaring the County as a Recovery Zone, we will be able to:
 - Spur economic development through the issuance of bonds for public infrastructure improvements
 - Provide private, for-profit entities with assistance to develop eligible facilities that in turn will create new jobs and new investments

How Bergen County can Benefit

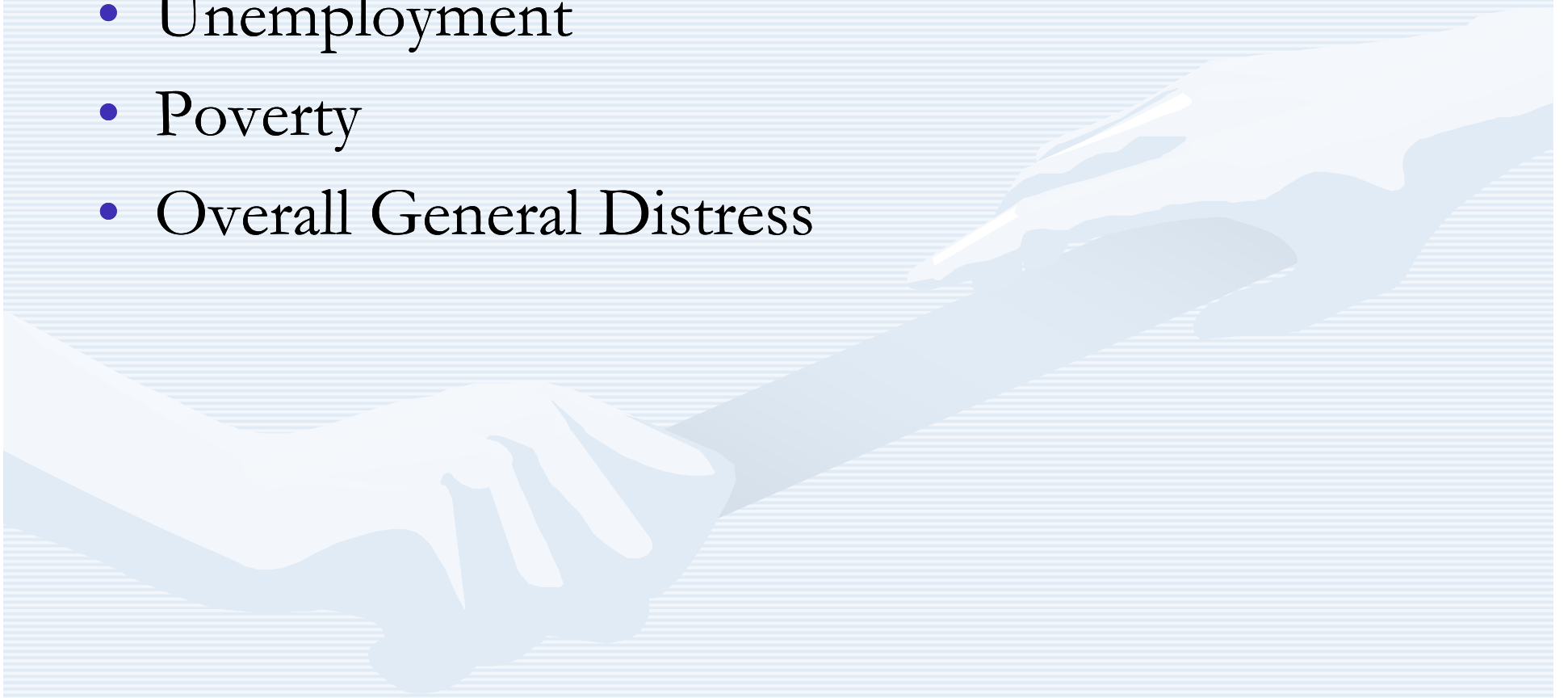
Most important reason:

CREATE JOBS!



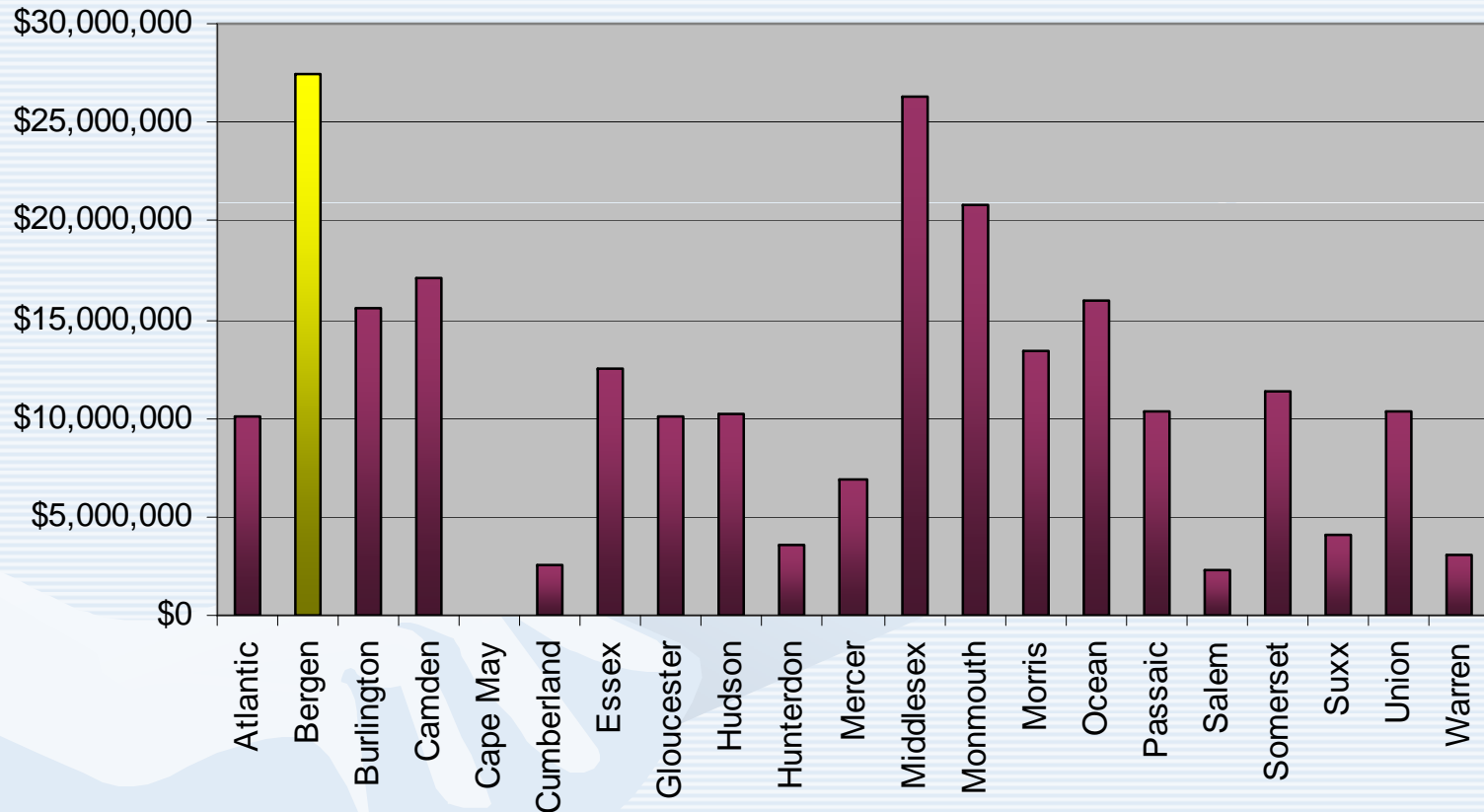
Bergen County Distress Criteria

- Foreclosure Rate
- Unemployment
- Poverty
- Overall General Distress



How Much?

Economic Development Bond

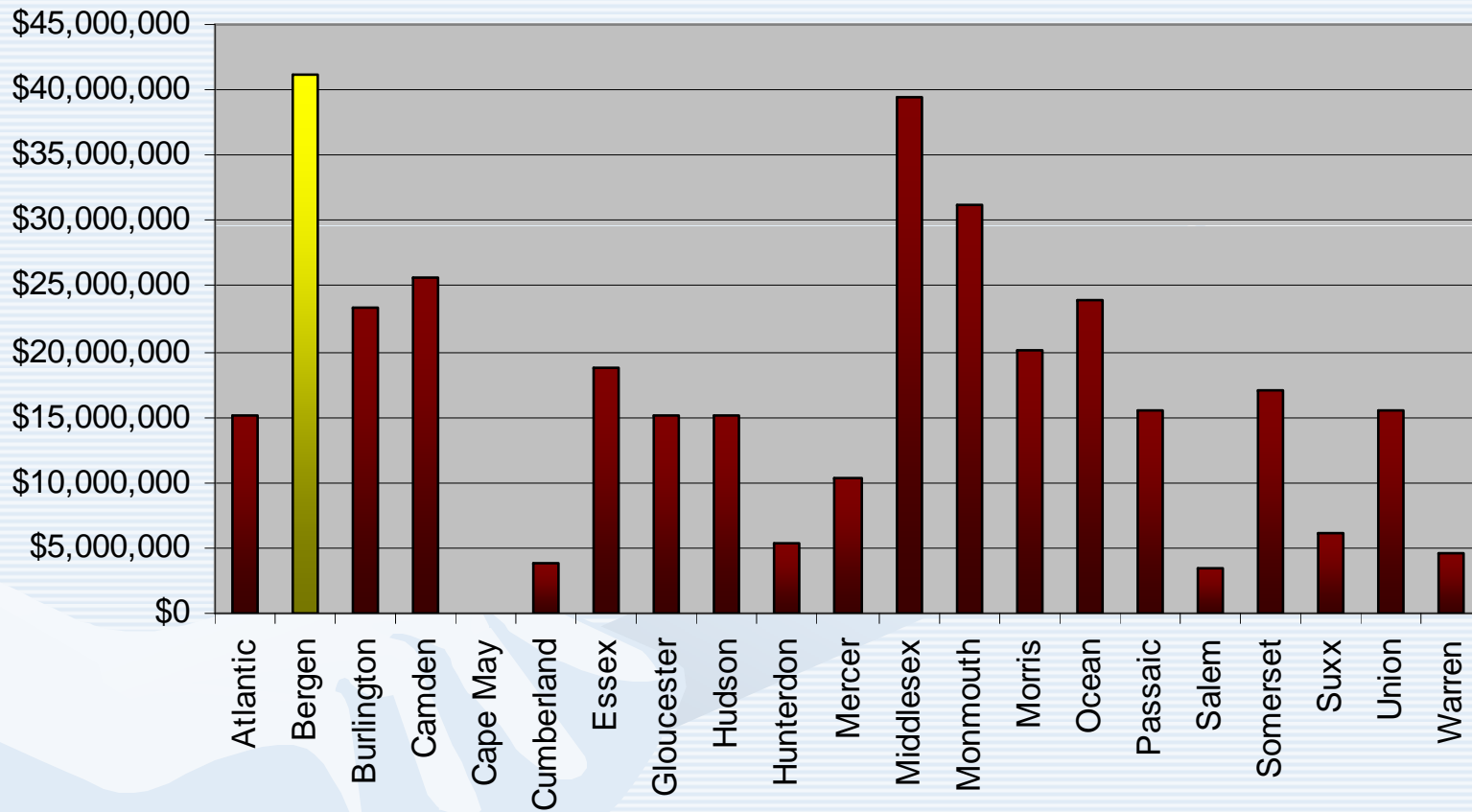


Bergen County: \$27,429,000

Highest in the State

How Much?

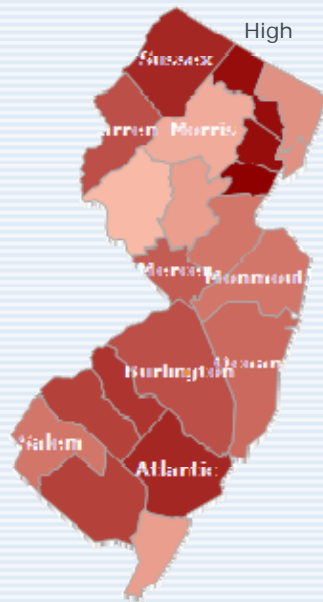
Facility Bond



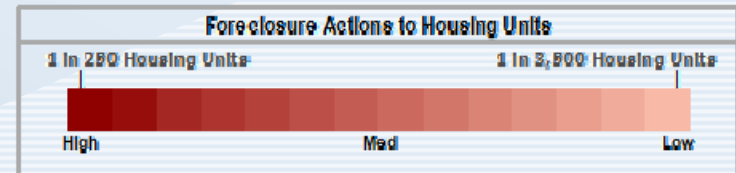
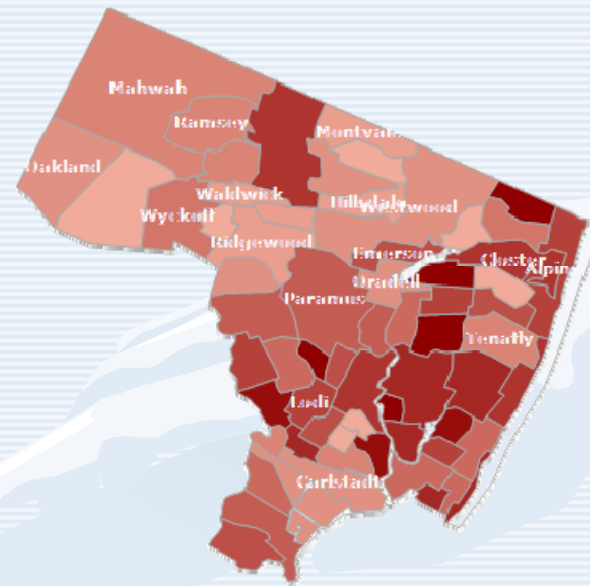
Bergen County: \$ 41,143,000

Highest in the State

Foreclosure Rate



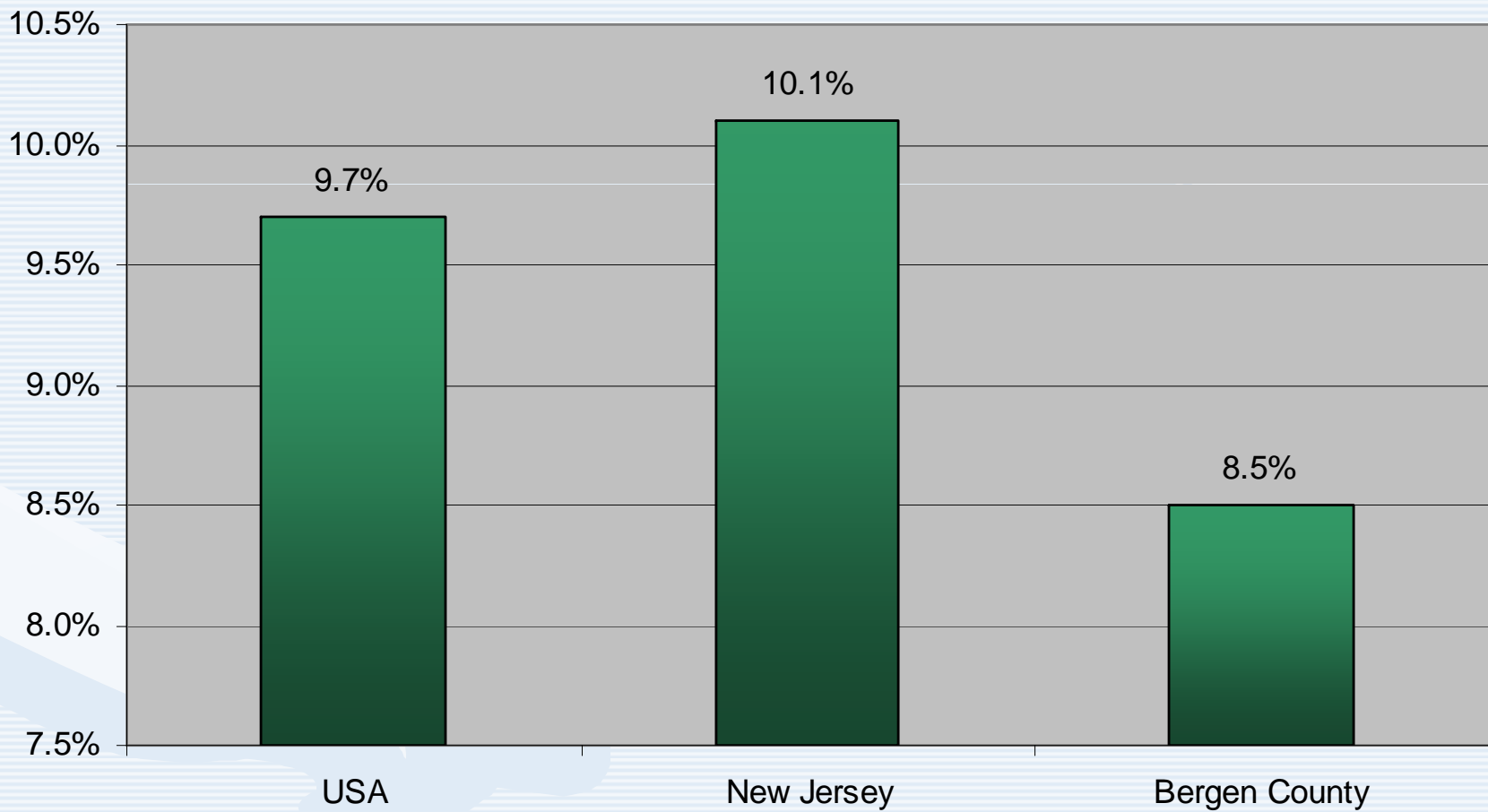
New Jersey:
1 in every 569 housing units



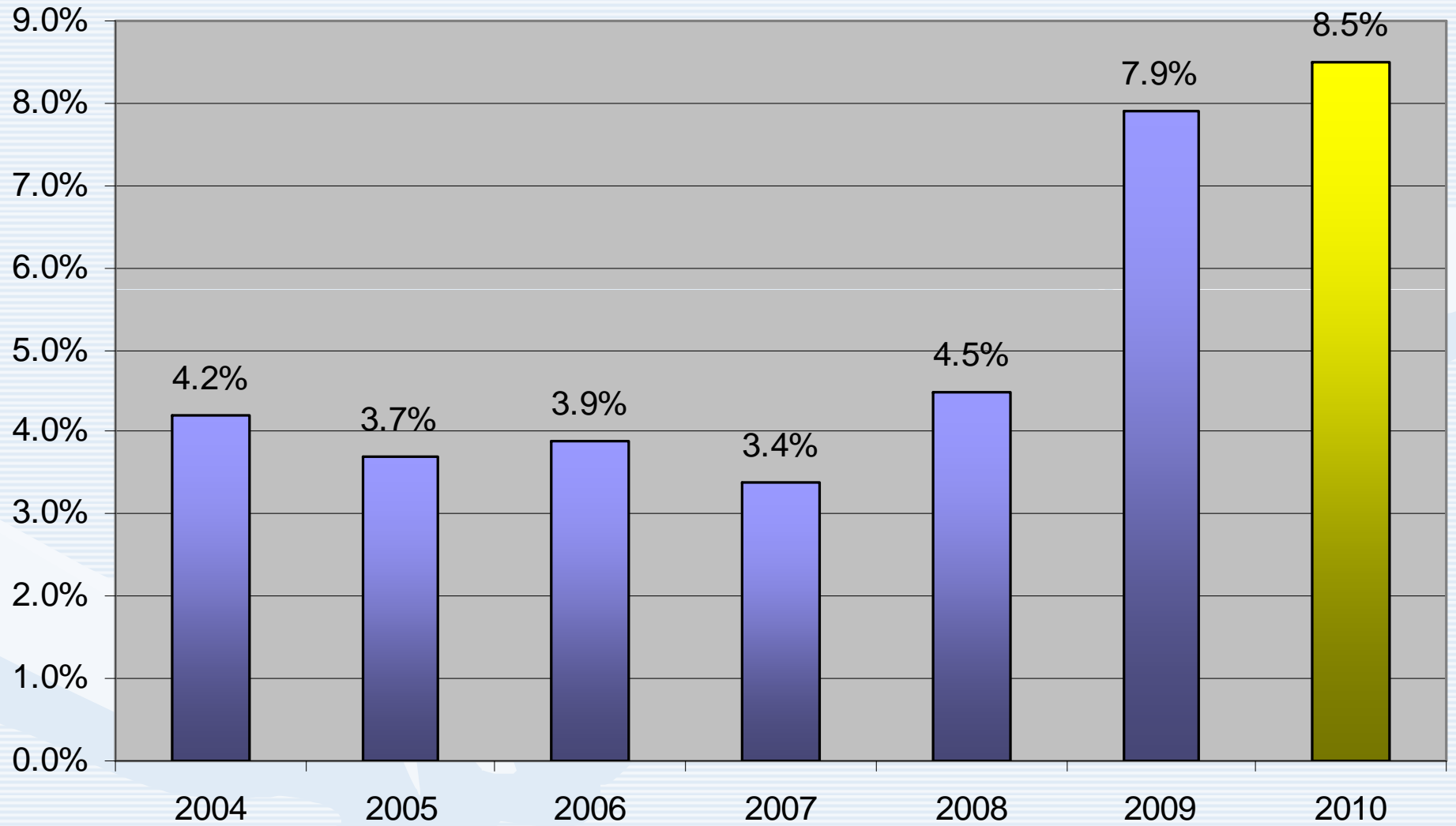
Bergen County:
1 in every 635 housing units

Unemployment

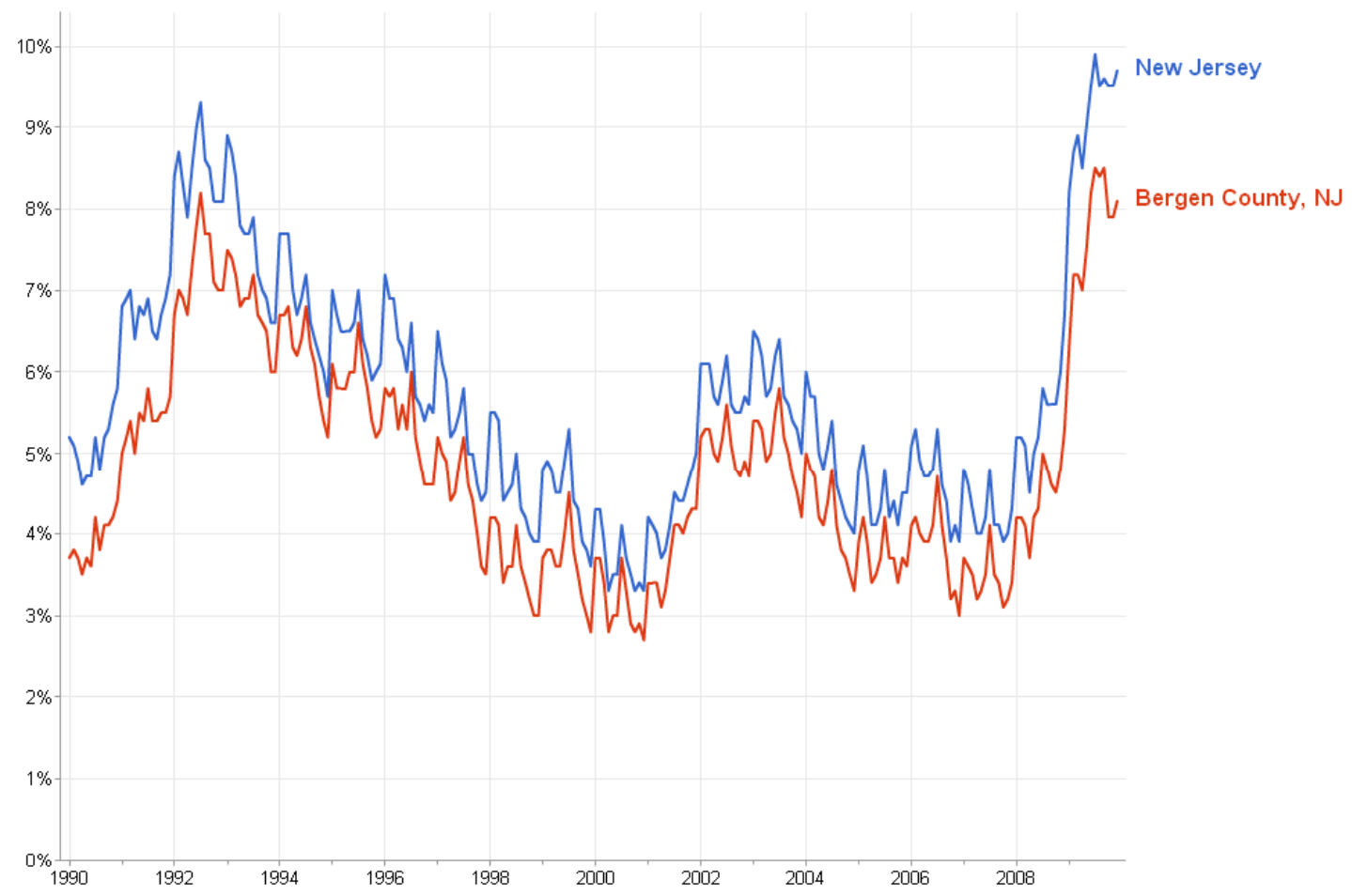
Unemployment Rate 2010



Bergen County Unemployment 2004-2009

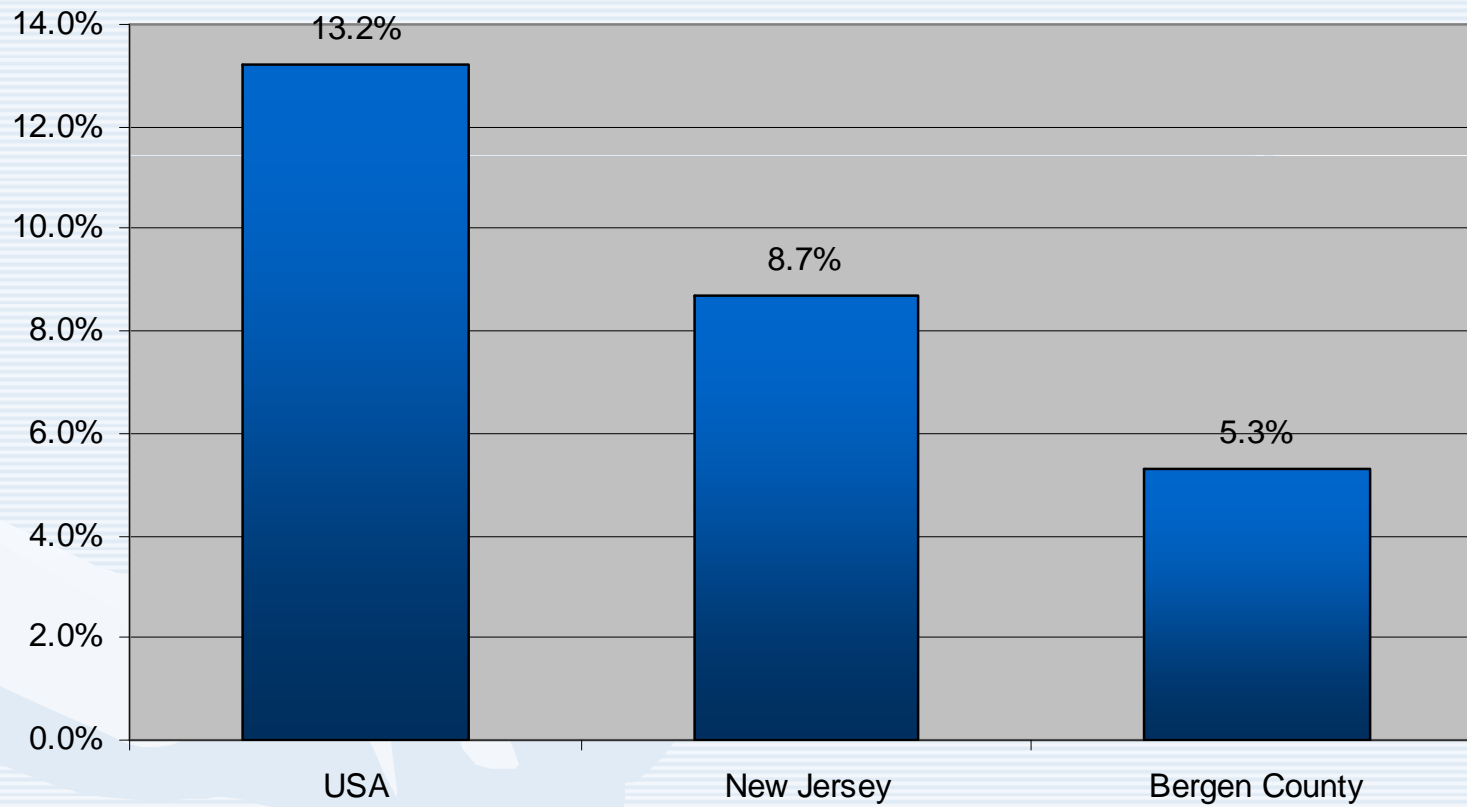


Unemployment

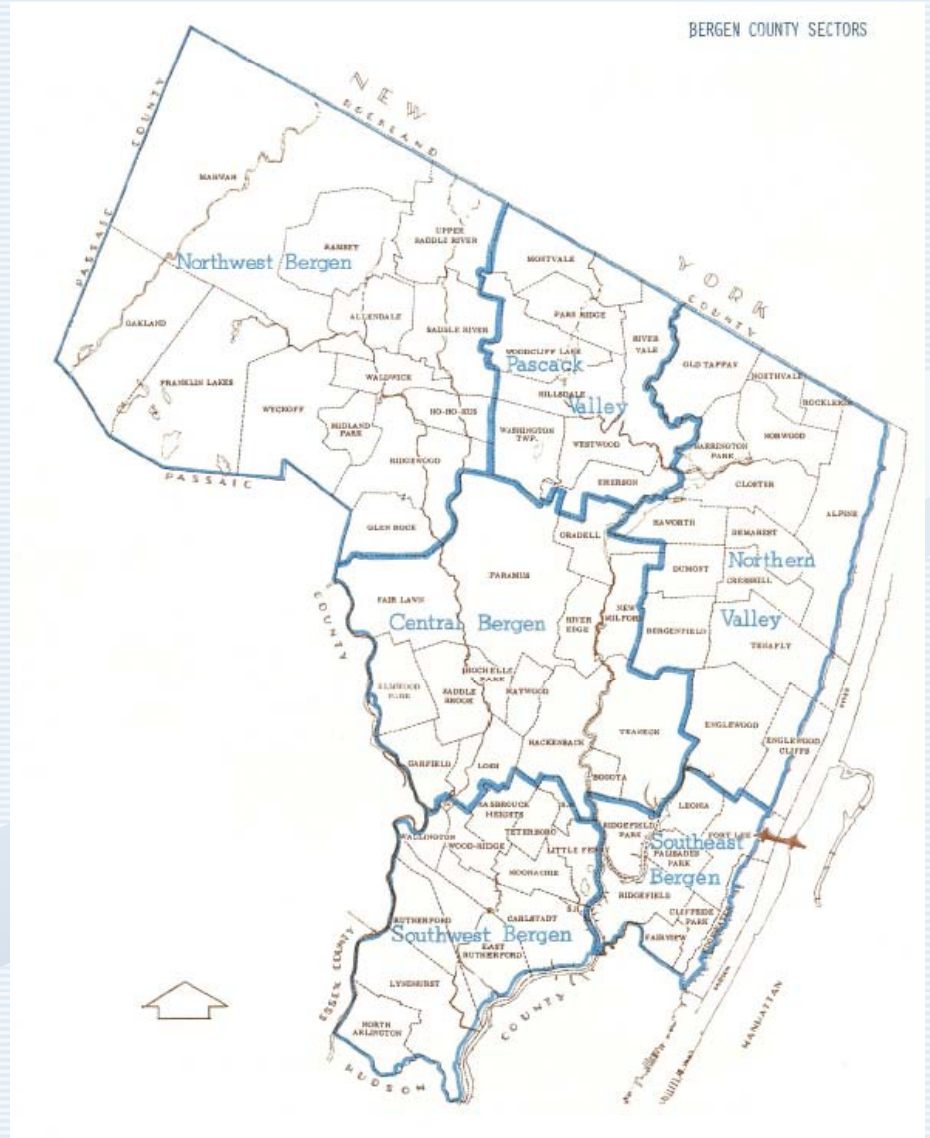
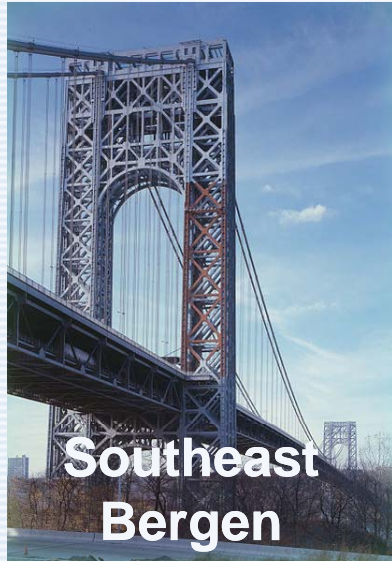


Poverty

Percentage Below Poverty Level 2008



Bergen County Sectors



Resolution

- On March 3, 2010, Bergen County Freeholders passed a Resolution that designates the entire County of Bergen as a Recovery Zone





**2010
BERGEN COUNTY BOARD OF CHOSEN FREEHOLDERS
RESOLUTION**

MEMBERS	AYE	NAY	ABSTAIN	ABSENT
Calabrese				
Driscoll				
Ganz				
Hermansen				
McPherson				
Padilla				
Carroll, Chairman				
TOTALS				

Resolution No. 265
 Date: March 3, 2010
 Page: 1 of 3
 Department/Division: Freeholder Board
 Purpose: Designate Bergen County as a Recovery Zone pursuant to the American Recovery and Reinvestment Act of 2009 for the purpose of issuing Recovery Zone Economic Development Bonds and Recovery Zone Facility Bonds
 Account No. _____
 Contract No. _____
 Dollar Amount: _____
 Prepared By: YAP

Offered by: _____
 Secended by: _____
 Approved by: _____

Certified as a true copy of a Resolution adopted by the Board of Chosen Freeholders on above date at the Regular Meeting by:

Valerie Coniglio, Clerk, Board of Chosen Freeholders, Bergen County, New Jersey

WHEREAS, the Federal government has adopted the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (2009) ("ARRA"); and

WHEREAS, Section 1401 of Title 1 of Division B of ARRA authorizes, through Section 54AA of the Internal Revenue Code, State and local governments, at their option, to issue two new types of Build America Bonds ("BABs") known as 1) Recovery Zone Economic Development Bonds ("RZEDBs") and 2) Recovery Zone Facility Bonds ("RZFBs") collectively referred to as "Recovery Zone Bonds"; and

WHEREAS, RZEDBs may be used to finance certain eligible economic development purposes within designated recovery zones and are considered "qualified" bonds and provide for a federal

subsidy through a refundable tax credit paid to State or local governmental issuers in an amount equal to forty five (45%) percent of the total interest expense payable to the bondholders; and

WHEREAS, RZFBs may be used to finance certain recovery zone properties and are tax-exempt private activity bonds with no "direct payment" subsidy payments and are not subject to the Alternative Minimum Tax; and

WHEREAS, the term "Recovery Zone" means: 1) any area designated by the issuer as having significant poverty, unemployment, high rate of home foreclosures, or general distress; 2) any area designated by the issuer as economically distressed by reason of the closure or realignment of a military installation pursuant to the Defense Base Closure and Realignment Act of 1990, and 3) any area for which a designation as an empowerment zone or renewal community is in effect as of the effective date of ARRA, which effective date is February 17, 2009; and

WHEREAS, Recovery Zone Economic Development Bonds and Recovery Zone Facility Bonds must be issued before January 1, 2011, the costs of issuance cannot exceed 2 percent, proceeds of the bonds cannot be utilized to refinance project costs, unless expenses were incurred after the effective date of ARRA, and the project must comply with federal Davis-Bacon prevailing wage rules; and

WHEREAS, "Recovery Zone Property" is defined as any property that is constructed, reconstructed, renovated, or acquired by purchase after the date on which the designation of Recovery Zone took effect, excluding the purchase of land, and substantially all of the property is located in the Recovery Zone, and the property is utilized in the active conduct of a qualified business; and

WHEREAS, a "qualified business" is defined as any trade or business except residential rental property, golf courses, country clubs, massage parlors, hot tub facilities, suntan facilities, race track or other facilities used for gambling, or any store where the principal business of which is the sale of alcoholic beverages for consumption off premises; and

WHEREAS, eligible issuers of Recovery Zone bonds include States, political subdivisions and entities empowered to issue bonds; and

WHEREAS, Bergen County has received the following Recovery Zone volume caps of: 1) **RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS: \$27,429,000** and 2) **RECOVERY ZONE FACILITY BONDS: \$41,143,000** and may use such volume cap for eligible costs or may allocate such volume cap in any reasonable manner as the Bergen County Board of Chosen Freeholders shall determine in good faith at their discretion for use for eligible costs for qualified economic development purposes or recovery zone property; and

WHEREAS, the Bergen County Board of Chosen Freeholders seeks to designate the entire County of Bergen as a Recovery Zone due to increased unemployment, increased levels of home foreclosures, and the general increase of economic distress throughout the County; and

NOW THEREFORE, BE IT RESOLVED that the Bergen County Board of Chosen Freeholders designates the entire County of Bergen as a Recovery Zone; and

BE IT FURTHER RESOLVED THAT, the County Executive and Clerk to the Board are authorized to sign the necessary documents and authorize the allocation of volume cap for Recovery Zone Economic Development Bonds and Recovery Zone Facility Bonds.

Recovery Zone Committee



- Dennis McNerney, Bergen County Executive created and formed Recovery Zone Committee on May of 2010

DRAFT DOCUMENT

Recovery Zone Committee

<u>Public Officials</u>		
Name	Title	Organization
Tomas Padilla	Freeholder	County of Bergen
Robert Laux	County Counsel, Esq.	County of Bergen
Farouk Ahmad	Director, P.E.	Bergen County Planning and Economic Development
Joseph Rutch	Director	Bergen County Community Development
Ed Hynes	Executive Director	Bergen County Improvement Authority
Peter Kortright	Deputy Executive Director	Bergen County Economic Development Corp.

Contact Information

Bergen County Economic Development Corporation

One Bergen County Plaza, 4th Floor

Hackensack, NJ 07601

Phone: 201-336-6446

Fax: 201-336-6449



Prepared by

**BCPED &
BCEDC**

April 2010

