

Memo To: County Managers
City Managers

From: Dempsey Benton, Director
N.C. Office of Economic Recovery and Investment

Date: September 30, 2009

Subject: American Recovery and Reinvestment Act (ARRA)
Recovery Zone Bonds Authorization and Reallocation Process

On June 12, 2009, the U.S. Treasury Department released allocations to states for Recovery Zone Bonds which are two new types of debt created by the ARRA to encourage economic development in distressed areas. At this announcement, Treasury also made the allocations to local governments. For North Carolina, the allocations are to 94 counties and 7 cities.

Two types of Recovery Zone Bonds (RZB) are included in the allocation; Recovery Zone Economic Development Bonds (RZEDB), and Recovery Zone Facility Bonds (RZFB). For North Carolina, the RZEDB total \$418,154,000 and the RZFB total \$627,231,000. Please see Local Government Commission (LGC) memos #1116, 1131, and 2010-6 for more RZ Bond information.

The ARRA requires that the bonds be issued before January 1, 2011, or within the next 15 months. As one of the first steps in bond issuance, the governing body of the issuing agency must take formal action by resolution designating a specific area (or the entire county) as a recovery zone. LGC memo # 2010-9 provides a sample resolution for this purpose.

The distribution process used by Treasury allocates authority to local governments regardless of whether there is a plan to issue bonds within the statutory parameters of these new debt instruments.

Based on our experience to date, some local governments may decide to not utilize this new bond authorization. As a State, it is important that we work together to manage this new financing opportunity to enhance the construction of infrastructure and the creation of jobs.

Following consultation with The North Carolina Association of County Commissioners and The North Carolina League of Municipalities, the state is undertaking a process to retrieve and reallocate the unused bond authorization so that we may optimize our ability to use this financing instrument before it expires in 15 months.

The tentative plan is as follows:

- a. Local governments which received an allocation will be asked to indicate whether they intend to use their bond allocation and to provide information about the projects to be financed to the N.C. Commerce Department. To enhance allocation and utilization, the request will be to do this as soon as possible, but not later than December 15, 2009. A form for this declaration will be provided and made available at NCRcovery.gov, as well as the websites for the N.C. League of Municipalities, N.C. Association of County Commissioners, and the N.C. Commerce Department.
- b. To use their allocations, Local Governments will be required to have issued RZ bonds by April 15, 2010 or have been placed on the Local Government Commission Agenda for its May, 2010 meeting.
- c. If a local government is unable to meet these time schedules, the bond allocation will be deemed waived to the state for reallocation to projects which can be undertaken within the ARRA time limitations.
- d. Pursuant to legislation passed by the General Assembly, NC Session Law 2009-140, the N.C. Tax Reform Allocation Committee (also known as the Volume Cap Committee) may undertake the reallocation of the bond authorizations. This is an existing statutory Committee under NCGS 143-433.6. The N.C. Commerce Department is the Administrative agency for this Committee.
- e. To guide this process, an administrative procedures document is being prepared. The Commerce Department will serve as the primary point of contact for this initiative. This document will be available in mid October for your review and comment.

To assist local governments better understand RZ Bond uses, RZ designations, and the reallocation process, a Recovery Zone webinar is scheduled for October 22, 2009 at 11:00AM. Information about registering for the webinar will follow, but please hold this date and time.

As noted, the primary objective of this effort is to enhance the use of these financing resources for North Carolina within the next 15 months. In addition, this reallocation process can be used to facilitate regional projects by combining several local government authorizations which may otherwise not be feasible. This is an unusual initiative, made necessary by the ARRA time schedule requirements. Please let me know if you have questions. My telephone number is (919) 733-1433. My email is dempsey.benton@nc.gov.

cc: Don Hobart, Governor's Office
David Thompson, N.C. Assoc. of County Commissioners
Ellis Hankins, N.C. League of Municipalities
Dale Carroll, N.C. Dept. of Commerce
John Peterson, N.C. Economic Developers Association