



CITY OF ELK GROVE

REQUEST FOR PROJECTS FOR TAX-EXEMPT FINANCING FOR ECONOMIC DEVELOPMENT FINANCING THROUGH THE ISSUANCE OF RECOVERY ZONE FACILITY BONDS

The American Recovery and Reinvestment Act of 2009 (ARRA) provided opportunities for cities to facilitate financing at tax-exempt interest rates for certain private development projects in economically distressed areas. The City of Elk Grove (“the City”) has taken the preliminary actions necessary to issue such bonds, called Recovery Zone Facility Bonds (“RZFBs”). These bonds are a tax-exempt private activity bond issued by the City, but secured and repaid by the private business activity. As such, a bank or other private investor is required to either enhance bonds or to purchase them at a private sale.

The City seeks to identify private firms with projects that meet the requirements for RZFBs and are interested in having the City facilitate such financing. Among the key legal requirements to qualify for this financing are the following:

- Proceeds can be used for a range of business activities. Proceeds can only be spent on depreciable property.
- Proceeds cannot be used for projects where more than 80% of the gross rental income comes from residential uses or certain other prohibited uses (including golf courses and liquor stores).
- The financed business has to be within the boundaries of the City.
- The financing has to be completed by the end of December, 2010.

The City has been allocated \$2,059,000 in authority to issue such tax-exempt financing. Additional allocation may be available by transfer from the State or other localities.

A key requirement for such financing will be the credit worthiness of the borrower as deemed by the credit market. This will require that the borrower obtain a letter of credit to secure a bond issue, or identify a direct, private placement lender. While the City will cooperate in obtaining such credit, it will be the responsibility of borrower.

Indications of interest, or questions should be submitted to Andrew Keys at akeys@elkgrovecity.org or (916) 478-2273.

At a minimum the submittal should indicate:

- The name of the borrower, including contact information
- A description of the project to be financed, including the nature of the business, the size of improvements to be financed, and an estimate of the number of jobs to be created.
- The street address for the proposed project, and status of the property (the applicant's ownership or control, current entitlements, etc.).
- Any current indications of third-party credit and other sources of project funding.

The City will determine which, if any, project it will facilitate based on a number of factors, including readiness to proceed, the availability of the necessary credit support, the amount of job generation, redevelopment benefits of the project, and other factors it deems appropriate.