

*Utilizing Recovery Zone Economic Development Bonds
and
Recovery Zone Facility Bonds*



Michigan Department of Treasury

www.michigan.gov

July 9, 2009

Michigan Economic Development
Corporation

The American Recovery and Reinvestment Act (ARRA)

- The ARRA created or expanded public finance tools for local governments and private corporations including:
 - Build America Bonds (BABs)
 - Recovery Zone Economic Development Bonds (RZEDBs) - a subset of BABs
 - Recovery Zone Facility Bonds (RZFBs)
- In order to qualify, bonds must be issued by December 31, 2010.
- The ARRA provides for the authorization to designate bonds as recovery zone bonds, *it does not provide for a federal guarantee or credit support for the repayment of principal and interest on the bonds.*
- *The borrower is required to repay both principal and interest on the bonds.*



Recovery Zones

- Local designation
 - Jurisdictions responsible for designating recovery zones after February 17, 2009 and have wide latitude in doing so
 - Designations must be completed before issuing bonds and incurring costs
- Distress indicators
 - “Significant poverty, unemployment, rate of home foreclosure, general distress”
 - Empowerment Zone or Renewal Community (federal zones)
 - Impacted by military base closure
- In Michigan, recovery zones may include, but are not limited to, renaissance zones, TIF districts, etc.



Volume Cap Allocations

- Michigan has received approximately \$773 million of RZEDB volume allocation
- Michigan has received approximately \$1.16 billion of RZFB volume allocation
- Allocations were determined by federal formula according to relative employment declines in 2008
- Through the adoption of a local resolution, jurisdictions can return all or part of their allocation to the State of Michigan so that it can be used elsewhere, for the overall economic benefit of the State.
- Allocations have been made to ***all*** counties and the cities of Ann Arbor, Detroit, Flint, Grand Rapids, Lansing, Sterling Heights and Warren
- Please see Appendix I for your jurisdiction's allocations



Eligible Projects - RZEDBs

- Must be located in a “Recovery Zone” within the boundaries of the jurisdiction receiving the allocation
- Must be used for economic development purposes
- Infrastructure & public building projects, such as:
 - Water and sewer
 - Electric utilities
 - Roads
 - Convention centers
- Job training and educational programs are permitted
- For new money projects only; no refinancing of current debt
- Costs of issuance paid from bond proceeds limited to 2% of par
- Eligible projects are subject to the Davis-Bacon Act (Federal prevailing wage law)



Features and Benefits - RZEDBs

- RZEDBs are sold on a taxable basis as BABs
- Taxable market often prefers larger issues making pooled financings such as those possible through the Michigan Municipal Bond Authority (MMBA) more attractive - see following page for more on the MMBA
- 45% of interest cost comes back to jurisdiction as refundable credit to the issuer
- Opens markets to investors that don't normally buy tax-exempt bonds (i.e., pension funds and charitable organizations)
- Larger investor market for taxable bonds could make them easier to sell
- Total interest cost could be lower than traditional tax-exempt financing
- Deal structure may be slightly different than traditional tax-exempt structure



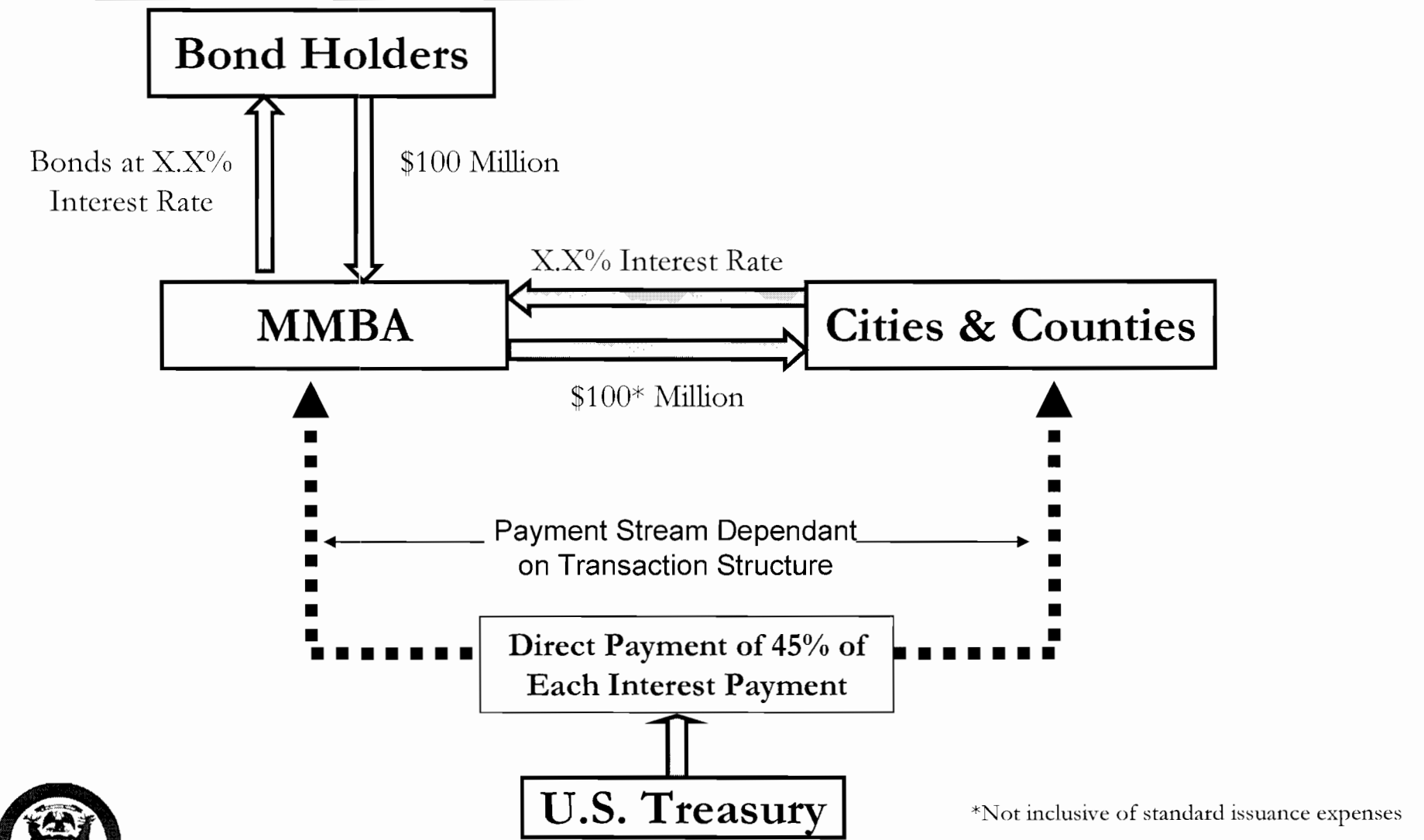
Issuing Options:

The Michigan Municipal Bond Authority

- The Michigan Municipal Bond Authority (MMBA), housed within Treasury's Bureau of Bond Finance, provides effective, low-cost financing to local units of government in Michigan.
- Produces lower cost of funds than a stand-alone transaction due to the sharing of fixed issuance costs (including issuer and counsel fees), market recognition and other efficiencies
- The MMBA typically issues pooled bond transactions with a common layer of security for multiple participants, however single issue 'special project' bonds have also been issued through the MMBA.
- Track record of broad range of successful bond issuance
 - Over 300 bond issues completed with a total par of over \$15.3 billion
- Ability to assemble an expert finance team that works for you
- Recognized name with the investor community
- Specialists in local infrastructure financing



Flow of Funds Example – RZEDBs



*Not inclusive of standard issuance expenses



Next Steps - RZEDBs

- Please contact Kathy O’Keefe or John Barton at (517) 335-0994 or email [Treas BondFinance@michigan.gov](mailto:TreasBondFinance@michigan.gov) to let us know of your interest in participating in a RZEDB pool issued through the MMBA, please include:
 - Contact name
 - Jurisdiction
 - Project Details
 - Phone number
 - Email
- If you do not intend to or are unable to use any portion of either your RZEDB or RZFB volume cap allocation, contact Kathy O’Keefe or John Barton at (517) 335-0994 and they will provide information on how to ‘waive’ your allocation.



Eligible Projects - RZFBs

- RZFBs are issued as **tax-exempt** private activity bonds for projects such as commercial buildings, hotels or other industrial structures and not subject to the \$10 million limit for standard IDBs
- Proceeds can be used to finance depreciable property located in a recovery zone provided:
 - The property was constructed, reconstructed, renovated or acquired by purchase by the taxpayer after the date on which the recovery zone was defined
 - The original use of the property in the recovery zone commences with the taxpayer
 - Substantially all of the property is in the recovery zone and is used for qualified business purposes by the taxpayer
- Any issuer capable of issuing Industrial Development Bonds (IDBs) may issue RZFBs, i.e., local Economic Development Corporations or the Michigan Strategic Fund



Next Steps – RZFB's

- Please contact Diane Cranmer at (517)373-2778 or e-mail at cranmerd@michigan.org for further information to let us know of your interest in participating in the RZFB program. Please include:
 - Contact Name
 - Project Details
 - Phone Number
 - E-Mail
- The Michigan Strategic Fund (MSF) is located with in the MEDC and works with local economic development officials to meet your financing goals.



Waiving All or a Portion of Volume Cap Allocations

- Volume cap is a “use it or lose it” cap with a deadline of December 31, 2010
- If a city or county uses part, but not all, of its allocation, the unused portion should be waived
- Waiver and reallocation to the State is one way a municipality can participate in a “regional” project not located within its boundaries
- If, due to size limits or other reasons a municipality decides not to use its allocation, reallocation allows use by another municipality for whom these concerns do not apply
- If you do not intend or are unable to use any portion of either your RZEDB or RZFB volume cap allocation, contact Kathy O’Keefe or John Barton at (517) 335-0994 and they will provide information on how to ‘waive’ your allocation.



Appendix I



[Go to Intro Page](#)

Area	Recovery Zone	
	Economic Development	Recovery Zone Facility
	Bond	Bond
Michigan	773,050,000	1,159,575,000
Ann Arbor city, MI	11,511,000	17,266,000
Detroit city, MI	49,690,000	74,535,000
Flint city, MI	11,052,000	16,579,000
Grand Rapids city, MI	16,725,000	25,088,000
Lansing city, MI	9,880,000	14,821,000
Sterling Heights city, MI	11,365,000	17,048,000
Warren city, MI	11,332,000	16,998,000
Alcona County, MI	285,000	428,000
Alger County, MI	596,000	893,000
Allegan County, MI	7,556,000	11,334,000
Alpena County, MI	1,205,000	1,807,000
Antrim County, MI	1,205,000	1,807,000
Arenac County, MI	1,449,000	2,174,000
Baraga County, MI	340,000	510,000
Barry County, MI	5,031,000	7,546,000
Bay County, MI	6,612,000	9,917,000
Benzie County, MI	985,000	1,478,000
Berrien County, MI	10,858,000	16,286,000
Branch County, MI	2,651,000	3,977,000
Calhoun County, MI	9,653,000	14,479,000
Cass County, MI	3,952,000	5,928,000
Charlevoix County, MI	2,185,000	3,277,000
Cheboygan County, MI	1,663,000	2,495,000
Chippewa County, MI	1,578,000	2,367,000
Clare County, MI	1,836,000	2,754,000
Clinton County, MI	5,802,000	8,703,000
Crawford County, MI	1,106,000	1,659,000
Delta County, MI	2,253,000	3,380,000
Dickinson County, MI	1,636,000	2,454,000
Eaton County, MI	8,656,000	12,985,000
Emmet County, MI	1,452,000	2,178,000
Genesee County, MI	35,570,000	53,354,000
Gladwin County, MI	1,106,000	1,659,000
Gogebic County, MI	807,000	1,210,000
Grand Traverse County, MI	5,456,000	8,184,000
Gratiot County, MI	2,756,000	4,133,000
Hillsdale County, MI	3,082,000	4,623,000
Houghton County, MI	2,259,000	3,388,000
Huron County, MI	2,893,000	4,339,000
Ingham County, MI	13,855,000	20,782,000
Ionia County, MI	4,935,000	7,402,000
Iosco County, MI	727,000	1,091,000
Iron County, MI	755,000	1,132,000
Isabella County, MI	3,274,000	4,911,000
Jackson County, MI	11,459,000	17,188,000
Kalamazoo County, MI	18,433,000	27,649,000
Kalkaska County, MI	952,000	1,429,000
Kent County, MI	36,571,000	54,857,000
Keweenaw County, MI	129,000	193,000
Lake County, MI	689,000	1,033,000

Area	Recovery Zone		
	Residual	Economic Development	Recovery Zone Facility
		Bond	Bond
Lapeer County, MI		7,188,000	10,782,000
Leelanau County, MI		1,279,000	1,918,000
Lenawee County, MI		8,901,000	13,351,000
Livingston County, MI		15,844,000	23,767,000
Luce County, MI		274,000	412,000
Mackinac County, MI		1,018,000	1,527,000
Macomb County, MI	Residual	46,293,000	69,439,000
Manistee County, MI		1,504,000	2,256,000
Marquette County, MI		2,992,000	4,487,000
Mason County, MI		1,339,000	2,009,000
Mecosta County, MI		2,602,000	3,903,000
Menominee County, MI		1,191,000	1,787,000
Midland County, MI		3,307,000	4,961,000
Missaukee County, MI		1,024,000	1,536,000
Monroe County, MI		13,237,000	19,856,000
Montcalm County, MI		3,000,000	4,500,000
Montmorency County, MI		604,000	906,000
Muskegon County, MI		13,890,000	20,835,000
Newaygo County, MI		3,702,000	5,554,000
Oakland County, MI		103,887,000	155,831,000
Oceana County, MI		2,692,000	4,039,000
Ogemaw County, MI		1,005,000	1,507,000
Ontonagon County, MI		859,000	1,289,000
Osceola County, MI		1,383,000	2,075,000
Oscoda County, MI		1,087,000	1,630,000
Otsego County, MI		1,702,000	2,552,000
Ottawa County, MI		20,697,000	31,045,000
Presque Isle County, MI		832,000	1,247,000
Roscommon County, MI		1,449,000	2,174,000
Saginaw County, MI		16,950,000	25,426,000
St. Clair County, MI		13,520,000	20,280,000
St. Joseph County, MI		5,618,000	8,427,000
Sanilac County, MI		4,185,000	6,278,000
Schoolcraft County, MI		412,000	618,000
Shiawassee County, MI		6,263,000	9,395,000
Tuscola County, MI		5,519,000	8,279,000
Van Buren County, MI		5,404,000	8,106,000
Washtenaw County, MI	Residual	22,044,000	33,066,000
Wayne County, MI	Residual	78,259,000	117,388,000
Wexford County, MI		2,286,000	3,429,000