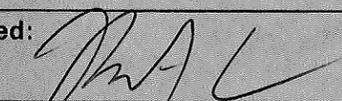


A RESOLUTION relating to Recovery Zone Bonds allocated through the American Recovery and Reinvestment Tax Act of 2009; designating certain areas within the City of Seattle as recovery zones under Section 1400U-1 of the Internal Revenue Code for the purpose of issuing recovery zone economic bonds or recovery zone facility bonds; and ratifying and confirming certain prior acts.

4/6/10 passed unanimously 3-0 yes, Contin, Golden, O'Brien

Introduced: 3.29.10	By: Richard Contin
Referred:	To: Regional Dev + Sustainability
Referred:	To:
Reported:	
Passed: 4.12.10	Signed: 
Filed: 4.19.10	Published: Full Full

4-12-10

(Excused: Clarke)

RESOLUTION 31197

1
2 A RESOLUTION relating to Recovery Zone Bonds allocated through the American Recovery and
3 Reinvestment Tax Act of 2009; designating certain areas within the City of Seattle as recovery
4 zones under Section 1400U-1 of the Internal Revenue Code for the purpose of issuing recovery
5 zone economic bonds or recovery zone facility bonds; and ratifying and confirming certain prior
6 acts.

7 WHEREAS, the American Recovery and Reinvestment Tax Act of 2009 (“ARRTA”) revised the Internal
8 Revenue Code (the “Code”) to create Recovery Zone Facility Bonds (“RZF Bonds”) and
9 Recovery Zone Economic Development Bonds (“RZED Bonds”); and

10 WHEREAS, the proceeds of RZED Bonds must be used for “qualified economic development purposes”,
11 which is defined in the Code to include expenditures for purposes of promoting development or
12 other economic activity in a Recovery Zone, including (1) capital expenditures paid or incurred
13 with respect to property located in the Recovery Zone; (2) expenditures for public infrastructure
14 and construction of public facilities; and (3) expenditures for job training and educational
15 programs; and

16 WHEREAS, the proceeds of RZF Bonds must be used to finance “recovery zone property” for use in a
17 “qualified business”, where a “qualified business” includes any trade or business (except
18 residential rental property and certain other exclusions), and “recovery zone property” includes
19 depreciable property acquired and first used by the taxpayer in a Recovery Zone after the
20 effective date of this resolution; and

21 WHEREAS, the issuance of Recovery Zone Bonds can potentially promote job creation and economic
22 recovery in areas affected by employment decline, significant poverty, increased home
23 foreclosures or general economic distress; and

24 WHEREAS, under Section 1400U-1(a)(3)(A) of the Code and Internal Revenue Service Notice 2009-50,
25 \$33,196,000 of the national Recovery Zone Bond Volume Cap limitation has been allocated to
26 the City of Seattle, with \$13,278,000 of that allocation being allocated for the issuance of RZED
27 Bonds and \$19,918,000 being allocated for the issuance of RZF Bonds; and

WHEREAS, before any Recovery Zone Bonds may be issued, this Council must designate certain
geographic areas within the City that are particularly affected by unemployment, home
foreclosures or general economic distress, as a Recovery Zone; and

WHEREAS, this Council desires to express its intent to use or sub-allocate all of the Recovery Zone
Volume Cap allocated to it for projects or property located within the City of Seattle, NOW,
THEREFORE,

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR
CONCURRING, THAT:**



1 **Section 1. Definitions.** As used in this ordinance, the following words shall have the meanings
2 hereinafter set forth:

3 “ARRTA” means the American Recovery and Reinvestment Tax Act of 2009.

4 “Code” means the Internal Revenue Code of 1986, as amended.

5 “Recovery Zone” means the area designated by this Council in Section 3 as a recovery zone,
6 under Section 1400U-1 of the Code.

7 “Recovery Zone Bonds” means, collectively, Recovery Zone Economic Development Bonds and
8 Recovery Zone Facility Bonds.

9 “Recovery Zone Economic Development Bonds” or “RZED Bonds” means Recovery Zone
10 Economic Development Bonds, authorized under Section 1400U-2 of the Code.

11 “Recovery Zone Facility Bonds” or “RZF Bonds” means Recovery Zone Facility Bonds,
12 authorized under Section 1400U-3 of the Code.

13 “RZ Bond Volume Cap” means the portion of the national recovery zone bond volume cap
14 limitation allocated to the City of Seattle for the issuance of Recovery Zone Bonds pursuant to Section
15 1400U-1 of the Code, as set forth in Notice 2009-50 of the Internal Revenue Service.

16 **Section 2. Findings and Determinations.** Before Recovery Zone Bonds may be issued, the
17 City Council must designate certain geographic areas within the City as a Recovery Zone, which may
18 include any area designated by the City as having significant poverty, unemployment, rate of home
19 foreclosures or general economic distress. The City Council recognizes that the Seattle metropolitan area
20 unemployment rate, as computed by U.S. Department of Labor, has risen from 4.0% in December 2007
21 to 8.9% in December 2009. The City Council further acknowledges that citywide sales tax collections
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1 declined by 12% during 2009, as compared to 2008, indicating a similar decline in retail activity
2 throughout the City. In addition, the City Council finds and determines the following:

- 3 (a) The number of Notices of Trustee Sale (“Foreclosure Notices”) filed citywide in the first
4 nine months of 2009 increased by 94% over similar filings for the same period in 2008,
5 based on data available from Pacific Northwest Title.
6
7 (b) Certain areas within the City have previously been designated or qualified for federal
8 assistance through the New Markets Tax Credit program (under Section 54D (e) of the
9 Code), based on low-income and significant poverty and unemployment.
10
11 (c) An area of Southeast Seattle has been designated by the U.S. Department of Housing
12 and Urban Development (HUD) as a Neighborhood Revitalization Strategy Area
13 (NRSA). The NRSA is a federal designation that recognizes the need for targeted
14 investment within a low-income area. The NRSA has been approved through 2012, with
15 an extension thereafter possible.
16
17 (d) The Seattle Industry Report prepared by Economic Modeling Specialists, Inc., identified
18 the manufacturing sector as the second fastest declining job sector in the City after the
19 construction industry. The City has previously established and designated certain
20 “Manufacturing and Industrial Centers” in its land-use code and these are the areas in
21 which manufacturing jobs are found in the highest concentration and where job losses
22 are occurring.
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1 **Section 3. Designation of Recovery Zone.** After consideration of the factors described in
2 Section 2, the City Council determines that the following areas within the City of Seattle are recognized
3 as areas having significant poverty, unemployment, rate of home foreclosures, or general distress and are
4 designated as a Recovery Zone for purposes of Section 1400U-1 of the Code:

- 5 (a) All zip code areas within the City for which the number of Foreclosure Notices filed
6 during 2009, as reported by Pacific Northwest Title, increased by more than 20%
7 over the number of Foreclosure Notices filed during 2008. In the case of any zip
8 code area for which the total number of Foreclosure Notices filed during 2008 was
9 10 or fewer, the threshold shall be satisfied if the number of Foreclosure Notices
10 filed in 2009 was at least double the number of Foreclosure Notices filed during the
11 same period in 2008.
12
13 (b) All census tracts within the City that are census tracts meeting the requirements in
14 2009 or 2010 to qualify as “low-income communities” as defined under Section
15 45D(e) of the Code for purposes of the federal New Markets Tax Credit program.
16 (c) Those areas of Southeast Seattle designated by the Federal Department of Housing
17 and Urban Development (HUD) as Neighborhood Revitalization Strategy Areas.
18 (d) Those areas of Seattle designated in the City’s land use code as “Manufacturing and
19 Industrial Centers”.

20
21 **Section 4. Volume Cap Reallocations and Sub-allocations.** The City Council further declares
22 its intent to use or to sub-allocate the Recovery Zone Volume Cap allocated to it, as set forth in Internal
23 Revenue Service Notice 2009-50, as follows:
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1 (a) RZED Bonds – The City intends to use the volume cap allocated to it for the
2 issuance of RZED Bonds before January 1, 2011 for qualified economic
3 development purposes. In the event that the City has not used all of the RZED Bond
4 Volume Cap and the Director of Finance determines, in his or her sole discretion,
5 that it is not practicable for the City to issue the remaining RZED Bond Volume Cap
6 before its expiration, as established by state or federal law, the Director of Finance is
7 authorized to sub-allocate or to execute a waiver of the unused portion of the City’s
8 allocation so that it may be reallocated by the State.

9 (b) RZF Bonds – With respect to RZF Bonds, the City intends to sub-allocate the
10 volume cap allocated to it to issuers or ultimate beneficiaries for the issuance of
11 bonds before January 1, 2011. Pursuant to policies and procedures attached as
12 Exhibit A to this resolution, the Office of Economic Development (“OED”) shall
13 administer the sub-allocation of such Volume Cap to eligible issuers or “ultimate
14 beneficiaries” in accordance with IRS Notice 2009-50, §5.04, with the final sub-
15 allocations subject to approval by the City Council, or committee to which this
16 authority may be delegated. However, in the event that the City has not used all of
17 the RZF Bond Volume Cap and the OED Director determines, in his or her sole
18 discretion, that it is not practicable for the remaining RZF Bond Volume Cap to be
19 issued before its expiration, as established by state agency rule or federal law, the
20 OED Director is authorized to sub-allocate or to execute a waiver of the unused
21 portion of the City’s allocation so that it may be reallocated by the State.
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1 **Section 5. General Authorization.** The Mayor, the Director of Finance and the Director of the
2 Office of Economic Development and each of the other appropriate officers of the City are each
3 authorized and directed to do everything as in their judgment may be necessary, appropriate or desirable
4 in order to carry out the terms and provisions of, and complete the transactions contemplated by this
5 resolution, including without limitation the signing, delivery, or filing of any documents, agreements, or
6 certificates in connection with the designation of the Recovery Zone as may be necessary or appropriate
7 to ensure compliance with ARRTA or other applicable provisions of the Code, Treasury Regulations
8 promulgated under the Code, and any other applicable statute, regulation or allocation procedure
9 established by the State of Washington or an agency thereof.
10

11 **Section 6. Ratification of Prior Acts.** All acts taken pursuant to the authority of this resolution
12 but prior to its effective date are ratified, approved and confirmed.

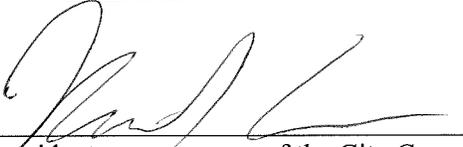
13 **Section 7. Section Headings.** Section headings in this resolution are used for convenience only
14 and shall not constitute a substantive portion of this resolution.

15 **Section 8. Effective Date.** This resolution shall become effective immediately upon its
16 adoption.
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Adopted by the City Council the 12th day of April, 2010, and signed by
me in open session in authentication of its adoption this 12th day
of April, 2010.



President _____ of the City Council

THE MAYOR CONCURRING:



Michael McGinn, Mayor

Filed by me this 16th day of April, 2010



City Clerk

(Seal)

Exhibit:

- A. City of Seattle - Recovery Zone Facility Bonds Policies and Procedures



Exhibit A to Resolution

City of Seattle - Recovery Zone Facility Bonds Policies and Procedures – March 16, 2010

Background:

Recovery Zone Facility Bonds (RZFBs) are a new type of tax-exempt bonds designed to spur private investment in economically distressed areas. This program was created as part of the federal stimulus package and is offered through the American Recovery and Reinvestment Tax Act of 2009 (ARRTA). Pursuant to the Recovery Act, the City of Seattle has the authority to allocate the issuance of \$19,918,000 in RZFBs for private projects. As a precondition for issuance of RZFBs, the City Council is designating a “Recovery Zone” of economically distressed areas eligible for RZFB investment. The federal government offers no specific guidelines for this designation, but based on staff analysis and consultation with the City’s bond attorneys, the legislation proposes a zone comprised of the following areas:

- All census tracts within the City that are census tracts meeting the requirements in 2009 or 2010 to qualify as “low-income communities” as defined under Section 45D(e) of the Code for purposes of the federal new markets tax credit program;
- Areas of Southeast Seattle designated by the Federal Department of Housing and Urban Development (HUD) as a Neighborhood Revitalization Strategy Area;
- Areas of Seattle designated in the Land Use Code as Manufacturing and Industrial Centers because of significant job loss within this sector since 2008; and
- All zip code areas within the City for which the number of Foreclosure Notices filed during 2009, as reported by Pacific Northwest Title, increased by more than 20% over the number of Foreclosure Notices filed during 2008. In the case of any zip code area for which the total number of Foreclosure Notices filed during 2008 was 10 or fewer, the threshold in the preceding sentence shall be satisfied if the number of Foreclosure Notices filed in 2009 is at least double the number of Foreclosure Notices filed during the same period in 2008.

Key provisions include:

- The City of Seattle will not provide bond guarantees or offer credit enhancements. RZFBs shall not constitute a debt of the City in any way or pledge any of the credit of the City to pay principal or interest thereon.
- Eligible projects shall consist of investments in depreciable property located within the City of Seattle’s Recovery Zone (RZ Property) that a qualified business purchases, constructs, reconstructs or renovates after designation of the Recovery Zone takes effect. Eligible projects include but are not limited to equipment purchase, building purchase, building construction and building renovation. Acquisition of land does not qualify as an eligible cost to be financed with bond proceeds.
- RZFB program rules specifically exclude residential rental housing projects, private or commercial golf courses, country clubs, massage parlors, hot tub facilities, suntan facilities, racetracks or other facilities used for gambling, or any store for which the principal business is the sale of alcoholic beverages for consumption off premises.
- 95% or more of the net proceeds from RZFBs are to be used for RZ Property. Up to 5% of the net proceeds may be used to cover cost of issuance or other transactional costs.



- RZFBs must be issued by the end of December 2010 (unless such deadline is extended by the federal government).

Assuming compliance with applicable federal tax laws and regulations, the RZFBs may be issued as tax-exempt bonds, and the bank/lender may claim a federal income tax exemption on the interest income. In exchange for this tax benefit, the bank/lender offers a reduced rate of interest for the loan (approximately as much as 2% below market interest).

This document describes the City of Seattle's policies and procedures in evaluating and approving projects eligible to receive RZFB allocations.

Staffing:

OED staff will be responsible for accepting applications from potential RZFB projects, assisting applicants in preparing allocation proposals and providing staff support for the Investment Committee that will evaluate the applications.

Investment Committee & Project Approval:

An Investment Committee whose members will be appointed and/or confirmed by the City Council shall review and approve applications for RZFB projects. Applications shall be considered on a rolling basis until the City's RZFB authority has been fully committed.

Allocation Criteria:

RZFB allocation decisions shall be guided by the following criteria:

- *Geographic & Tax Code Eligibility*
 - The project must be located within the boundaries of the City of Seattle Recovery Zone, as approved by City Council.
 - The project must demonstrate ability to comply with the federal tax code provisions and rules applicable to RZFBs, as evidenced by a letter from bond counsel confirming preliminary determination of eligibility.
- *Project Readiness*
 - The project must have a letter of interest from the bank/lender that would purchase the bonds.
 - The application must include evidence that the project is feasible and can be completed within the proposed timeline
 - The application must include evidence that the proceeds of the RZFBs will be spent on eligible costs within the applicable timelines set forth under the federal tax code, and must demonstrate that the project developer will put in place policies and procedures to ensure ongoing compliance with federal tax code requirements applicable to the bond-financed project.
- *Public Benefits*

Priority will be given to projects that create the following economic development benefits (listed in the order of priority):

 - Create and retain permanent jobs;
 - Increase goods and services needed by the neighborhood;
 - Serve as an anchor for future economic development in the immediate neighborhood;



- Enhance the local tax base through increased sales and/or property taxes from future project operations; or
- Include energy efficient building or process improvements.

Allocation Proposals:

RZFB applicants shall submit allocation proposals to OED. OED staff will then review the proposals and submit them to the Investment Committee for consideration if they contain the following:

- Confirmation that the project meets the Allocation Criteria;
- Timeline with identification of milestones for completing the project (e.g., obtaining MUP, construction financing commitment, construction commencement and construction completion dates);
- Explanation of pending conditions to achieve milestones;
- Development budget (provide itemized sources and uses for all development funds (RZFB and non-RZFB funds);
- Operating pro-forma, including projected revenue and expenses;
- Letter from bond counsel confirming preliminary determination of eligibility with federal tax code provisions and rules applicable to RZFBs and
- Letter of interest from lender and explanation of lender's disbursement conditions.

Bond Issuance and Project Reporting Requirements:

Following approval of projects by the Investment Committee, the Director of the Office of Economic Development shall have the authority to administer the sub-allocation of volume cap to each approved project and the identified conduit issuer (e.g., the Seattle Industrial Development Corporation or Washington Economic Development Finance Authority), resulting in private placement of the bonds to a bank/lender. The bank/lender will then loan the bond proceeds to a project developer. The bond documents shall clearly state that the RZFBs are not an obligation of or in any way guaranteed by the City.

The project developer will be required to provide such information and reports to the City necessary to comply with the Washington State Department of Commerce's RZFB program allocation rules and with any federal requirements that are applicable to the project and require the City's involvement (if any). The City may impose deadlines in on project developers to ensure that the RZFBs are issued in a timely fashion, including conditions that would allow the City to reclaim and reallocate if a project fails to meet milestones toward issuance.

Annual Report to City Council:

The Investment Committee, supported by OED staff, shall provide an annual written report to the City Council Committee for Regional Development & Sustainability (or the successor City Council committee with lead responsibility over economic development issues), regarding projects selected for RZFB investment. Such annual written reports shall continue until all purchasing, construction, reconstruction or renovation funded with RZFBs is complete.



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	DOF Analyst/Phone:
OED	Ken Takahashi/4-8378	Michael Van Dyck/4-8347

Legislation Title:

A RESOLUTION relating to Recovery Zone Bonds allocated through the American Recovery and Reinvestment Tax Act of 2009; designating certain areas within the City of Seattle as recovery zones under Section 1400U-1 of the Internal Revenue Code for the purpose of issuing recovery zone economic development bonds or recovery zone facility bonds; and ratifying and confirming certain prior acts.

• **Summary of the Legislation:**

This legislation designates a recovery zone, as required by the Internal Revenue Service, for the purpose of issuing recovery zone economic development bonds or recovery zone facility bonds, as authorized by American Recovery and Reinvestment Tax Act of 2009.

• **Background:**

The American Recovery and Reinvestment Tax Act of 2009 revised the Internal Revenue Code (Code) to create Recovery Zone Economic Development Bonds (RZED Bonds) and Recovery Zone Facilities Bonds (RZF Bonds). The proceeds of RZED Bonds must be used to finance qualified economic development projects within a recovery zone. The proceeds of RZF Bonds must be used to finance certain property used in a qualified trade or business in a recovery zone. RZED Bonds are a sub-set of Build America Bonds carrying a higher tax credit (45% compared to 35% for Build America Bonds), making them a somewhat lower cost financing mechanism. Similar to traditional tax-exempt bonds and Build America Bonds, RZED Bonds must be used for public purposes. RZF Bonds must be used for private activity. Before any such bonds may be issued, Council must designate the area in which the qualified economic development projects are located, or in which certain property is to be financed for use in a qualified business, as a Recovery Zone.

The City has been allocated \$13,278,000 of RZED Bonds and \$19,918,000 of RZF Bonds. City Light expects to include the RZEDBs as part of its upcoming bond issue and OED intends to sub-allocate the RZF Bonds to qualified businesses. RZF Bonds will not be secured by the City or its utilities and debt service on them will be paid by the qualified businesses.

This legislation designates the following areas as the Recovery Zone for purposes of Section 1400U-1 of the Code (See Exhibit A for details and the map in Exhibit B):

- (a) All zip code areas within the City for which the number of Foreclosure Notices filed during 2009, as reported by Pacific Northwest Title, increased by more than 20% over the number of Foreclosure Notices filed during 2008. In the case of any zip



code area for which the total number of Foreclosure Notices filed during 2008 was 10 or fewer, the threshold in the preceding sentence shall be satisfied if the number of Foreclosure Notices filed in 2009 is at least double the number of Foreclosure Notices filed during the same period in 2008.

- (b) All census tracts within the City that are census tracts meeting the requirements in 2009 or 2010 to qualify as “low-income communities” as defined under Section 45D(e) of the Code for purposes of the federal new markets tax credit program.
- (c) Those areas of Southeast Seattle designated by the Federal Department of Housing and Urban Development (HUD) as a Neighborhood Revitalization Strategy Area.
- (d) Those areas of Seattle designated in the City’s land use code as “Manufacturing and Industrial Centers”.

Bonds lower financing costs and stimulate investment in economically distressed areas of the City. The City expects to use the full bond capacity of \$13,278,000 for RZED projects. OED expects that three to six projects will be financed with RZF Bonds authority. Bond authority needs to be exercised by the end of 2010 according to the program rules.

 This legislation does not have any financial implications. *(Stop here and delete the remainder of this document prior to saving and printing.)*

 X **This legislation has financial implications.** *(Please complete all relevant sections that follow.)*

RZED Bonds will provide lower financing costs than standard Build America Bonds on the amount of the City’s \$13,278,000 allocation. This is expected to reduce debt service costs for Seattle City Light (SCL) by about \$45,000 per year. (No revision is necessary to SCL’s appropriation authority, revenue and/or cash flow projections at this time.)

RZF Bonds will provide lenders with a tax exemption on interest income, resulting in lower interest costs charged to private borrowers. It is not expected that the RZF Bonds will have any direct financial impact on the City and neither the City nor its utilities would provide security for their issuance. Private parties will be solely responsible for providing security to the lenders. OED will manage this new financing tool using existing staff resources. No funds for this program will come into the City’s budget. (No 2010 appropriation authority, revenues and/or cash flow will be affected.)

Notes:

- **What is the financial cost of not implementing the legislation?** There may be higher financing costs for projects which qualify for these programs and the City would be missing an opportunity to improve the economic development within Seattle and hasten the road to recovery.
- **Does this legislation affect any departments besides the originating department?** • Yes,



Seattle City Light.

- **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** Standard Build America Bonds could achieve similar objectives for public projects, but at a higher cost to the City.
- **Is the legislation subject to public hearing requirements:** No
- **Other Issues** (*including long-term implications of the legislation*): N/A
- **List attachments to the fiscal note below:**

Exhibit A – Criteria for Inclusion in the Recovery Zone

Exhibit B – Map of Recovery Zone



Exhibit A –Criteria for Inclusion in the Recovery Zone

The following areas are recognized as having significant poverty, unemployment, rate of home foreclosures, or general distress and are proposed to be designated as the Recovery Zone for purposes of Section 1400U-1 of the Code:

- a) **Foreclosure Notices:** The number of Notices of Trustee Sale (“Foreclosure Notices”) filed in the City of Seattle increased in 2009 as compared with similar filings for 2008. The following criteria was developed to determine areas of significant change: All zip code areas within the City for which the number of Foreclosure Notices filed during 2009, as reported by Pacific Northwest Title, increased by more than 20% over the number of Foreclosure Notices filed during 2008. In the case of any zip code area for which the total number of Foreclosure Notices filed during 2008 was 10 or fewer, the threshold in the preceding sentence shall be satisfied if the number of Foreclosure Notices filed in 2009 is at least double the number of Foreclosure Notices filed during the same period in 2008.
- b) Certain areas within the City have previously been designated or qualified for federal assistance through the New Markets Tax Credit program (under Section 54D(e) of the Code) and through the federal Department of Housing Urban Development, based on factors that take into account indicators of low income, poverty and unemployment.
- c) The Southeast Seattle Neighborhood Revitalization Strategy was developed in response to the U.S. Department of Housing and Urban Development’s (HUD) authorization of the Neighborhood Revitalization Strategy (NRS) program. The purpose of the NRS program is to assist in the revitalization of economically distressed areas. To ensure that the program serves communities with a high concentration of economic distress, neighborhoods are assessed for eligibility based upon the following HUD criteria:
 - **Boundaries:** The grantee must identify the neighborhood’s boundaries for which the strategy applies. All areas within those boundaries must be contiguous.
 - **Demographic Criteria:** The designated area must be *primarily residential* and contain a percentage of low- and moderate-income residents that is equal to the “*upper quartile percentage*” (as computed by HUD pursuant to 24 CFR 570.208(a)(1)(ii)) or *70%, whichever is less* but, in any event, *not less than 51 percent*;
 - **Consultation:** The grantee must describe how the strategy was developed in consultation with the area’s stakeholders, including residents, owners/operators of businesses and financial institutions, non-profit organizations, and community groups that are in or serve the neighborhood;
 - **Assessment:** The strategy must include an assessment of the economic conditions of the area and an examination of the opportunities for economic development improvement and the problems likely to be encountered;
 - **Economic Empowerment:** There must be a realistic development strategy and implementation plan to promote the area’s economic progress focusing on activities to create meaningful jobs for the unemployed and low- and moderate-income residents of the area (including jobs created by HUD-assisted efforts) as well as activities to promote the substantial revitalization of the area; and
 - **Performance Measurements:** The strategy must identify the results (e.g., physical improvements, social initiatives, and economic empowerment) expected to be achieved, expressing them in terms that are readily measurable. This must be in the form of “*benchmarks.*”



The Southeast Seattle NRS area is comprised of census tracts and block groups where, when taken as an aggregate, more than 54.7% of households are low or moderate-income. The threshold of 54.7% is the "upper quartile percentage" or top 25% of low or moderate-income block groups in Seattle. This is the basic qualifying criteria in order for a neighborhood to qualify as a NRSA. Within the boundaries of the Southeast NRSA, 61.5% of residents are low or moderate income. The Southeast Seattle NRS meets all of the above criteria and has been approved through 2012.

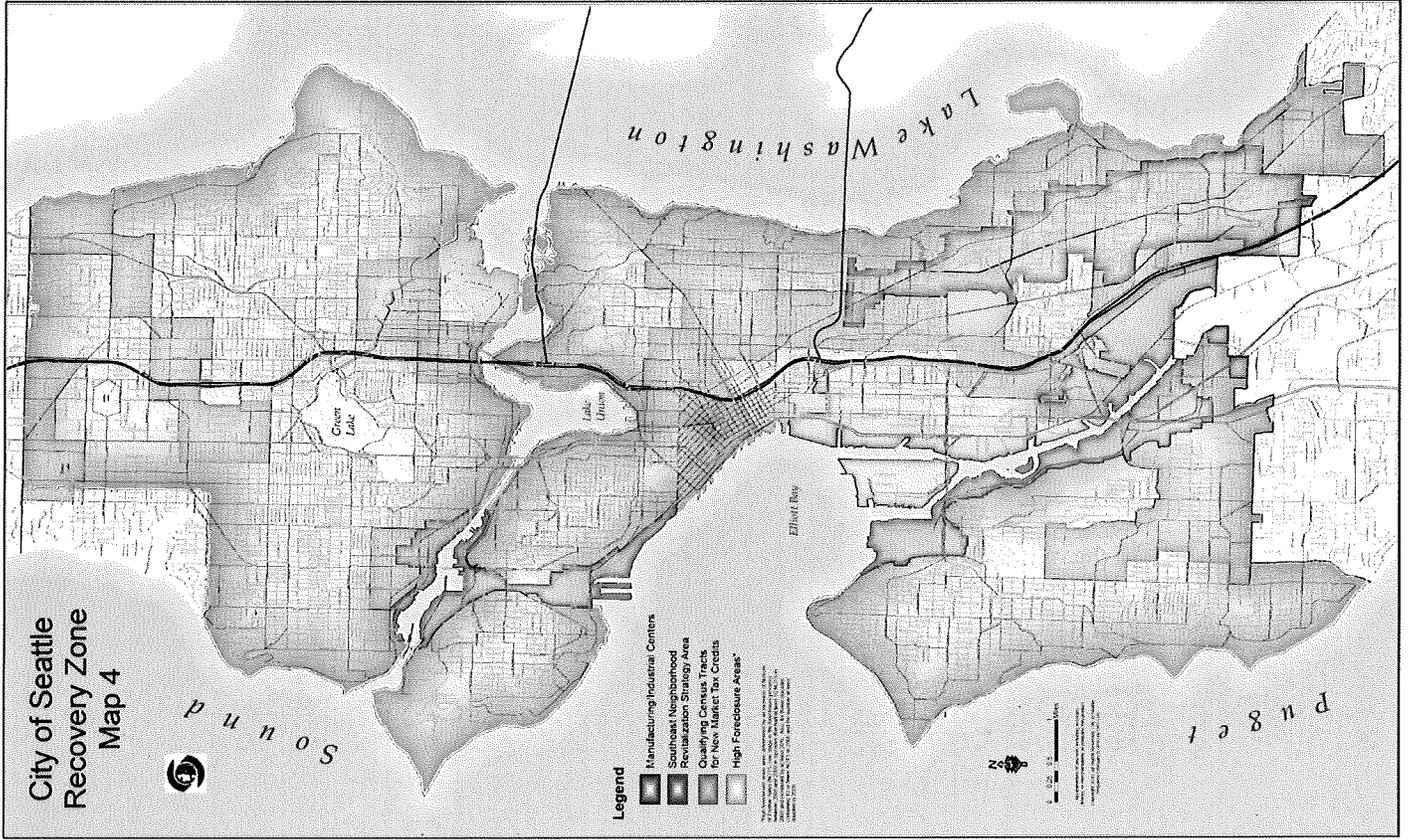
- d) Based on the Seattle Industry Report prepared by Economic Modeling Specialists, Inc., the manufacturing sector is identified as the second fastest declining job sector in the City after the construction industry. The City has previously established and designated certain "Manufacturing and Industrial Centers" in its land-use code and these are the areas in which manufacturing jobs are found in the highest concentration.



Exhibit B – Map of Recovery Zone

(Following page)





High Foreclosure Areas
(Brown)

Qualifying Census Tracts
for New Market Tax
Credits (Green)

Southeast Neighborhood
Revitalization Strategy
Area (Purple)

Manufacturing /
Industrial Centers
(Red)



City of Seattle

Michael McGinn, Mayor

Office of the Mayor

March 23, 2010

Honorable Richard Conlin
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Conlin:

I am pleased to transmit the attached proposed Council Resolution that designates a recovery zone within the City of Seattle for the purpose of issuing recovery zone economic development bonds and recovery zone facility bonds. This designation is required by the Internal Revenue Service. These new types of bonds were authorized by the American Recovery and Reinvestment Tax Act of 2009 to finance government projects with economic development outcomes and certain kinds of business development activities in areas of significant economic distress.

The proceeds of recovery zone bonds must be used to fund qualified economic development projects or to finance recovery zone property for use in a qualified business, within the recovery zone. Before these recovery bonds may be issued, Council must designate the recovery zone, or the area of the City in which qualified economic development projects and properties may be located.

These financing tools will assist with job creation and economic recovery in areas within Seattle affected by employment decline, significant poverty, increased home foreclosures and general economic distress.

Thank you for your consideration of this legislation. Should you have questions, please contact Ken Takahashi at 206-684-8378.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael McGinn".

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

600 Fourth Avenue, 7th Floor, P.O. Box 94749, Seattle, WA 98124-4749

Tel: (206) 684-4000, TDD: (206) 615-0476 Fax: (206) 684-5360, Email: mike.mcgin@seattle.gov

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STATE OF WASHINGTON – KING COUNTY

--SS.

253758
CITY OF SEATTLE, CLERKS OFFICE

No.

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

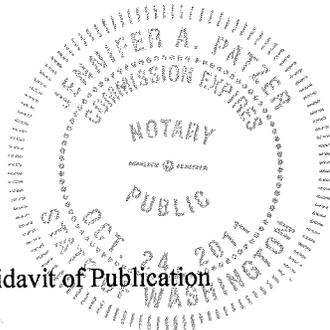
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:RESOLUTION 31197

was published on

04/26/10

The amount of the fee charged for the foregoing publication is the sum of \$354.90, which amount has been paid in full.



Affidavit of Publication

Subscribed and sworn to before me on

04/26/10

Notary public for the State of Washington,
residing in Seattle

City of Seattle

RESOLUTION 31197

A RESOLUTION relating to Recovery Zone Bonds allocated through the American Recovery and Reinvestment Tax Act of 2009; designating certain areas within the City of Seattle as recovery zones under Section 1400U-1 of the Internal Revenue Code for the purpose of issuing recovery zone economic bonds or recovery zone facility bonds; and ratifying and confirming certain prior acts.

WHEREAS, the American Recovery and Reinvestment Tax Act of 2009 ("ARRTA") revised the Internal Revenue Code (the "Code") to create Recovery Zone Facility Bonds ("RZF Bonds") and Recovery Zone Economic Development Bonds ("RZED Bonds"); and

WHEREAS, the proceeds of RZED Bonds must be used for "qualified economic development purposes", which is defined in the Code to include expenditures for purposes of promoting development or other economic activ-

ity in a Recovery Zone, including (1) capital expenditures paid or incurred with respect to property located in the Recovery Zone; (2) expenditures for public infrastructure and construction of public facilities; and (3) expenditures for job training and educational programs; and

WHEREAS, the proceeds of RZF Bonds must be used to finance "recovery zone property" for use in a "qualified business", where a "qualified business" includes any trade or business (except residential rental property and certain other exclusions), and "recovery zone property" includes depreciable property acquired and first used by the taxpayer in a Recovery Zone after the effective date of this resolution; and

WHEREAS, the issuance of Recovery Zone Bonds can potentially promote job creation and economic recovery in areas affected by employment decline, significant poverty, increased home foreclosures or general economic distress; and

WHEREAS, under Section 1400U-1(a)(3)(A) of the Code and Internal Revenue Service Notice 2009-50, \$33,196,000 of the national Recovery Zone Bond Volume Cap limitation has been allocated to the City of Seattle, with \$13,278,000 of that allocation being allocated for the issuance of RZED Bonds and \$19,918,000 being allocated for the issuance of RZF Bonds; and

WHEREAS, before any Recovery Zone Bonds may be issued, this Council must designate certain geographic areas within the City that are particularly affected by unemployment, home foreclosures or general economic distress, as a Recovery Zone; and

WHEREAS, this Council desires to express its intent to use or sub-allocate all of the Recovery Zone Volume Cap allocated to it for projects or property located within the City of Seattle, NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR CONCURRING, THAT:

Section 1. Definitions. As used in this ordinance, the following words shall have the meanings hereinafter set forth:

"ARRTA" means the American Recovery and Reinvestment Tax Act of 2009.

"Code" means the Internal Revenue Code of 1986, as amended.

"Recovery Zone" means the area designated by this Council in Section 3 as a recovery zone, under Section 1400U-1 of the Code.

"Recovery Zone Bonds" means, collectively, Recovery Zone Economic Development Bonds and Recovery Zone Facility Bonds.

"Recovery Zone Economic Development Bonds" or "RZED Bonds" means Recovery Zone Economic Development Bonds, authorized under Section 1400U-2 of the Code.

"Recovery Zone Facility Bonds" or "RZF Bonds" means Recovery Zone Facility Bonds, authorized under Section 1400U-3 of the Code.

"RZ Bond Volume Cap" means the portion of the national recovery zone bond volume cap limitation allocated to the City of Seattle for the issuance of Recovery Zone Bonds pursuant to Section 1400U-1 of the Code, as set forth in Notice 2009-50 of the Internal Revenue Service.

Section 2. Findings and Determinations. Before Recovery Zone Bonds may be issued, the City Council must designate certain geographic areas within the City as a Recovery Zone, which may include any area designated by the City as having significant poverty, unemployment, rate of home foreclosures or general economic distress. The City Council recognizes that the Seattle metropolitan area unemployment rate, as computed by U.S. Department of Labor, has risen from 4.0% in December 2007 to 8.9% in December 2009. The City Council further acknowledges that citywide sales tax collections declined by 12% during 2009, as compared to 2008, indicating a similar decline in retail activity throughout the City. In addition, the City Council finds and determines the following:

(a) The number of Notices of Trustee Sale ("Foreclosure Notices") filed citywide in the first nine months of 2009 increased by 94% over similar filings for the same period in 2008, based on data available from Pacific Northwest Title.

(b) Certain areas within the City have previously been designated or qualified for federal assistance through the New Markets Tax Credit program (under Section 54D (e) of the Code), based on low-income and significant poverty and unemployment.

(c) An area of Southeast Seattle has been designated by the U.S. Department of Housing and Urban Development (HUD) as a Neighborhood Revitalization Strategy Area (NRSA). The NRSA is a federal designation that recognizes the need for targeted investment within a low-income area. The NRSA has been approved through 2012, with an extension thereafter possible.

(d) The Seattle Industry Report prepared by Economic Modeling Specialists, Inc., identified the manufacturing sector as the second fastest declining job sector in the City after the construction industry. The City has previously established and designated certain "Manufacturing and Industrial Centers" in its land-use code and these are the areas in which manufacturing jobs are found in the highest concentration and where job losses are occurring.

Section 3. Designation of Recovery Zone. After consideration of the factors described in Section 2, the City Council determines that the following areas within the City of Seattle are recognized as areas having significant poverty, unemployment, rate of home foreclosures, or general distress and are designated as a Recovery Zone for purposes of Section 1400U-1 of the Code:

(a) All zip code areas within the City for which the number of Foreclosure Notices filed during 2009, as reported by Pacific Northwest Title, increased by more than 20% over the number of Foreclosure Notices filed during 2008. In the case of any zip code area for which the total number of Foreclosure Notices filed during 2008 was 10 or fewer, the threshold shall be satisfied if the number of Foreclosure Notices filed in 2009 was at least double the number of Foreclosure Notices filed during the same period in 2008.

(b) All census tracts within the City that are census tracts meeting the requirements in 2009 or 2010 to qualify as "low-income communities" as defined under Section 45D(e) of the Code for purposes of the federal New Markets Tax Credit program.

(c) Those areas of Southeast Seattle designated by the Federal Department of Housing and Urban Development (HUD) as Neighborhood Revitalization Strategy Areas.

(d) Those areas of Seattle designated in the City's land use code as "Manufacturing and Industrial Centers".

Section 4. Volume Cap Reallocations and Sub-allocations. The City Council further declares its intent to use or to sub-allocate the Recovery Zone Volume Cap allocated to it, as set forth in Internal Revenue Service Notice 2009 50, as follows:

(a) RZED Bonds - The City intends to use the volume cap allocated to it for the issuance of RZED Bonds before January 1, 2011 for qualified economic development purposes. In the event that the City has not used all of the RZED Bond Volume Cap and the Director of Finance determines, in his or her sole discretion, that it is not practicable for the City to issue the remaining RZED Bond Volume Cap before its expiration, as established by state or federal law, the Director of Finance is authorized to sub-allocate or to execute a waiver of the unused portion of the City's allocation so that it may be reallocated by the State.

(b) RZF Bonds - With respect to RZF Bonds, the City intends to sub-allocate the volume cap allocated to it to issuers or ultimate beneficiaries for the issuance of bonds before January 1, 2011. Pursuant to policies and procedures attached as Exhibit A to this resolution, the Office of Economic Development ("OED") shall administer the sub-allocation of such Volume Cap to eligible issuers or "ultimate beneficiaries" in accordance with IRS Notice 2009-50, §5.04, with the final sub-allocations subject to approval by the City Council, or committee to which this authority may be delegated. However, in the event that the City has not used all of the RZF Bond Volume Cap and the OED Director determines, in his or her sole discretion, that it is not practicable for the remaining RZF Bond Volume Cap to be issued before its expiration, as established by state agency rule or federal law, the OED Director is authorized to sub-allocate or to execute a waiver of the unused portion of the City's allocation so that it may be reallocated by the State.

Section 5. General Authorization. The Mayor, the Director of Finance and the Director of the Office of Economic Development and each of the other appropriate officers of the City are each authorized and directed to do everything as in their judgment may be necessary, appropriate or desirable in order to carry out the terms and provisions of, and complete the transactions contemplated by this resolution, including without limitation the signing, delivery, or filing of any documents, agreements, or certificates in connection with the designation of the Recovery Zone as may be necessary or appropriate to ensure compliance with ARRTA or other applicable provisions of the

Code, Treasury Regulations promulgated under the Code, and any other applicable statute, regulation or allocation procedure established by the State of Washington or an agency thereof.

Section 6. Ratification of Prior Acts. All acts taken pursuant to the authority of this resolution but prior to its effective date are ratified, approved and confirmed.

Section 7. Section Headings. Section headings in this resolution are used for convenience only and shall not constitute a substantive portion of this resolution.

Section 8. Effective Date. This resolution shall become effective immediately upon its adoption.

Adopted by the City Council the 12th day of April, 2010, and signed by me in open session in authentication of its adoption this 12th day of April, 2010.

RICHARD CONLIN,
President of the City Council.
THE MAYOR CONCURRING:
MICHAEL MCGINN,
Mayor.
Filed by me this 19th of April, 2010.
(Seal) JUDITH E. PIPPIN,
City Clerk.
Exhibit:

A. City of Seattle - Recovery Zone Facility Bonds Policies and Procedures
Date of publication in the Seattle Daily Journal of Commerce, April 26, 2010.
4/26(253758)