



CTED

**Community, Trade and
Economic Development**

**Recovery Zone Economic Development Bonds
Recovery Zone Facility Bonds
Frequently Asked Questions**

Q. Who is eligible to use Recovery Zone Bonds, and what can they be used for?

A. There are two different kinds of Recovery Zone bonds authorized by the Recovery Act – RZ Economic Development Bonds and RZ Facility Bonds. A Recovery Zone is defined as an area having significant poverty, unemployment, home foreclosures, or general distress; an area that has been negatively impacted by military base closures; or an area that has already been federally designated as an Empowerment Zone or Renewal Community. Aside from the federally designated areas, a county or municipality may designate areas within their jurisdiction as Recovery Zones.

RZ Economic Development Bonds are tax credit bonds exclusively for government projects that encourage economic development. They may not be used to finance private activities. Economic development activities qualified under this program include:

1. Capital expenditures paid or incurred for property in Recovery Zones.
2. Expenditures for public infrastructure and construction of public facilities.
3. Expenditures for job training and educational programs.

RZ Facility Bonds are tax-exempt private activity bonds that can be used to finance purchases of depreciable business property in Recovery Zones, provided the taxpayer acquires the property after the area has received the Recovery Zone designation. Some kinds of property specifically do not qualify under this program, including land, rental property, and property used for certain kinds of activities such as golf courses, country clubs, and several others listed in federal tax regulations.

Important Note: These programs allocate the authority to issue bonds or sell tax credits to bond or tax credit investors in order to finance economic recovery activities; they are not direct funding programs that allocate public dollars.

Q. How much bond issuing authority is available?

A. A total of \$10 billion in RZ Economic Development Bond issuing authority is available nationwide; Washington state's allocation is \$90 million. A total of \$15 billion in RZ Facility Bond issuing authority is available nationwide; the state's share is \$135 million. Both allocations have been suballocated to counties and large municipalities by a formula based on the rate of employment declines in each jurisdiction during the period from December 2007 and December 2008. The IRS has calculated the city and county suballocations, which were just released on June 12, 2009.

Q. Where, how and when do I apply for an allocation?

A. CTED is actively working on creating an application process by which the counties and municipalities may apply to receive their allocations of Recovery Zone bond issuing

authority. If you have a qualifying project, you will need to work through your city or county to have a bond issued to finance the project. Counties and large municipalities may create their own processes for projects within their jurisdictions. Bonds must be issued prior to January 1, 2011.

Q. What is CTED's role in distributing the allocations?

A. CTED will review each jurisdiction's allocation plans and officially award the allocations once a jurisdiction has submitted its plans with project descriptions and documentation. Procedures and timelines will be available soon. If a county or large municipality does not plan to use all of its allocation, under the federal rules, the allocation may be returned to the state to be reallocated to other jurisdictions. CTED will ensure that the state does not exceed its total allowable amount of bond issuing authority.

Q. Are there any other rules or obligations I need to know about?

A. Specific federal tax regulations apply to projects financed under this program. Bond issuers will need the advice of qualified bond counsel and tax counsel in order to ensure the project and the bond issuance are in compliance with all applicable federal bond and tax regulations.

Federal Davis-Bacon prevailing wage rules apply to projects financed with Recovery Zone bonds.

CTED is in the process of determining what documentation requirements will be necessary for the state's purposes. As soon as we have made that determination, we will publish those on our website at www.cted.wa.gov.

Q. I still have questions; who do I contact to get more information?

A. Please contact Liz Green-Taylor at elizabetht@cted.wa.gov or at (360) 725-5021.

Recovery Zone Initial Allocations

The U.S. Department of the Treasury, Internal Revenue Service calculated the county and large city allocations based on employment statistics obtained from the U.S. Bureau of Labor Statistics.

Jurisdiction	Economic Development Bonds	Facility Bonds
Cities with > 100,000 in population		
Bellevue	\$2,491,000	\$3,736,000
Seattle	\$13,278,000	\$19,918,000
Spokane	\$104,000	\$156,000
Tacoma	\$3,320,000	\$4,979,000
Vancouver	\$1,639,000	\$2,459,000
Counties		
Adams	\$0	\$0
Asotin	\$9,000	\$14,000
Benton	\$0	\$0
Chelan	\$0	\$0
Clallam	\$806,000	\$1,209,000
Clark	\$2,627,000	\$3,940,000
Columbia	\$0	\$0
Cowlitz	\$3,668,000	\$5,502,000
Douglas	\$0	\$0
Ferry	\$0	\$0
Franklin	\$0	\$0
Garfield	\$0	\$0
Grant	\$0	\$0
Grays Harbor	\$0	\$0
Island	\$0	\$0
Jefferson	\$0	\$0
King	\$23,169,000	\$34,754,000
Kitsap	\$7,527,000	\$11,290,000
Kittitas	\$0	\$0
Klickitat	\$0	\$0
Lewis	\$494,000	\$740,000
Lincoln	\$0	\$0
Mason	\$0	\$0
Okanogan	\$0	\$0
Pacific	\$580,000	\$870,000
Pend Oreille	\$0	\$0
Pierce	\$9,741,000	\$14,612,000
San Juan	\$0	\$0
Skagit	\$5,276,000	\$7,914,000
Skamania	\$100,000	\$149,000
Snohomish	\$13,210,000	\$19,816,000

Jurisdiction	Economic Development Bonds	Facility Bonds
Spokane	\$136,000	\$204,000
Stevens	\$0	\$0
Thurston	\$0	\$0
Wahkiakum	\$0	\$0
Walla Walla	\$0	\$0
Whatcom	\$1,825,000	\$2,738,000
Whitman	\$0	\$0
Yakima	\$0	\$0
Totals	\$90,000,000	\$135,000,000
<p><i>* County totals represent residual allocations after large cities' allocations have been subtracted out. Because allocations were calculated using the actual numbers of individuals employed in December 2007 compared with actual numbers employed in 2008, some counties' employment declines in numbers of individuals were too small to register in the calculation. This allocation does not take into consideration counties with chronic high unemployment rates that preceded the period used for the calculation.</i></p>		