

REQUEST FOR BOARD ACTION

ITEM NO. 18.

DATE OF MEETING: October 19, 2009

REQUESTED BY: Rick Benton, County Manager

SHORT TITLE: Resolution Designating Pender County as a Recovery Zone Pursuant to the American Recovery and Reinvestment Act (ARRA) of 2009

BACKGROUND: The ARRA authorized a new type of federally tax exempt private activity bonds entitled "recovery zone facility bonds" to finance construction, renovation or acquisition of a wide variety of private capital projects. This is essentially opening up the Industrial Revenue Bond process, normally restricted to industrial projects, to uses other than industrial projects. The legislation provides each county with an allocation, and Pender County's allocation is \$2,084,000. While this is not a huge amount, there may be an opportunity for additional allocations in the future depending on how many counties take advantage of the funding.

In order to be eligible for the bonds, the Board must take formal action by resolution designating the County, or certain areas of the county, as a "recovery zone." Recovery zones can be defined as areas of economic distress as evidenced by high unemployment, high poverty rates, high foreclosure rates, layoffs, etc.

A resolution has been prepared for Board consideration documenting economic distress in Pender County, and thereby designating the County as a recovery zone under the Act. The Local Government Commission and the County's Bond Attorney concur that adopting the resolution is appropriate, and is necessary in anticipation of potential use of the bonds.

SPECIFIC ACTION REQUESTED: To adopt a resolution adopting the attached resolution entitled "RESOLUTION DESIGNATING PENDER COUNTY AS A RECOVERY ZONE."

COUNTY MANAGER'S RECOMMENDATION

Respectfully recommend approval.

JB

Initial

RESOLUTION

NOW, THEREFORE BE IT RESOLVED by the Pender County Board of Commissioners that:

the attached resolution entitled "RESOLUTION DESIGNATING PENDER COUNTY AS A RECOVERY ZONE" is hereby adopted. The County Manager is authorized to execute any/all documents necessary to implement this resolution.

AMENDMENTS:

MOVED _____ SECONDED _____

APPROVED _____ DENIED _____ UNANIMOUS

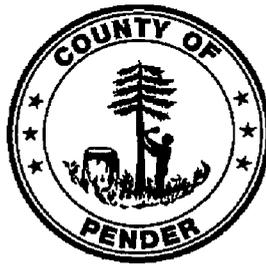
YEA VOTES: Tate ___ Brown ___ Blanchard ___ Rivenbark ___ Williams ___

Jimmy T. Tate, Chairman

Date

ATTEST

Date



RESOLUTION DESIGNATING PENDER COUNTY AS A RECOVERY ZONE

WHEREAS, the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5) ("ARRA") modifies the Internal Revenue Code of 1986, as amended (the "Code") to authorize, among others, two new types of bonds entitled "recovery zone economic development bonds" and "recovery zone facility bonds;" and

WHEREAS, "recovery zone economic development bonds are a subcategory of taxable build America bonds (as defined in section 54AA(d) of the Code), issued under provisions of ARRA that have been codified as Section 1400U-2 of the Code, the proceeds of which are to be used for qualified economic development purposes in a recovery zone; and

WHEREAS, qualified economic development purpose include expenditures for the purpose of promoting development or other economic activity in a recovery zone, including capital expenditures for property located in the zone or expenditures for public infrastructure and construction of public facilities in the zone; and

WHEREAS, ARRA also authorizes a new type of federally tax exempt private activity bonds entitled "recovery zone facility bonds" in Sections 1400U-1 and 1400U-3 of the Code to finance construction, renovation, or acquisition of depreciable property by a private taxpayer of a qualified business in a recovery zone, with "qualified business" defined to include any trade or business other than residential rental property and certain prohibited uses outlined in the Code; and

WHEREAS, sections 1440U-2 through 1400U-3 of the Code, and related Notice 2009-50 issued by the U.S. Treasury Department (collectively, the "Recovery Zone Act") define a recovery zone as any area designated by the County as an area of significant poverty, unemployment, rate of home foreclosure, or general distress; and

WHEREAS, Pender County has determined that the County has experienced significant unemployment and general distress throughout the county because:

- the County's unemployment rate as reported by the NCESC has increased from 6.3% in July, 2008 to 11.6% in July, 2009; and has remained above 11% since January, 2009
- the annual number of foreclosure filings has steadily increased over the past 10 years, from 89 filings in 1998 to 307 filings for 2008
- the County's most recent poverty rate estimate (2007) is 12.8%
- COTY, Inc., the county's largest industrial employer announced the layoff of 420 employees in May, 2009; to take place over the following 12 months; and

WHEREAS the County has determined that it is in the best interest of the County and its citizens to designate Pender County as a "recovery zone" for purposes of the Recovery Zone Act.

NOW, THEREFORE, BE IT RESOLVED by the Pender County Board of Commissioners of the County of Pender, that:

1. The County hereby finds that there is significant unemployment and general distress in Pender County throughout Pender County, and therefore hereby designates all of Pender County as a recovery zone for purposes of the Recovery Zone Act.
2. The officers of Pender County are hereby authorized and directed to take all actions as may be required in furtherance of the designation of the recovery zone.

This ___ day of _____, 2009.

Jimmy T. Tate, Chairman

ATTEST:

Rick Benton, Clerk to the Board



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
STATE AND LOCAL GOVERNMENT FINANCE DIVISION
AND THE LOCAL GOVERNMENT COMMISSION

JANET COWELL
TREASURER

T. VANCE HOLLOMAN
DEPUTY TREASURER
Memorandum #2010-9

August 12, 2009

TO: Officials of Local Governments and Public
Authorities and Their Independent Auditors

FROM: Tim Romocki, Director
Debt Management Section

SUBJECT: Sample Resolution for Declaring a Recovery Zone Necessary for Issuance of
Recovery Zone Economic Development Bonds or Recovery Zone Facility Bonds

Previous memoranda #1161, #1131 and #2101-6 from our office provided information on the allocations and issuance of Recovery Zone Economic Development Bonds and Recovery Zone Facility Bonds. Recovery Zone Economic Development Bonds must be spent for capital expenditures and public infrastructure for the purpose of promoting development or other economic activity in a recovery zone. Recovery Zone Facility Bonds can be used to finance almost any private capital investment in areas designated as "Recovery Zones." Recovery zones are areas designated by an issuer as:

- a) having significant poverty, unemployment, home foreclosure rate or general distress, or
- b) being economically distressed due to Base Realignment and Closure, or
- c) being designated an empowerment zone or renewal community.

In order for local government units and authorities to be eligible to issue either Recovery Zone Economic Development Bonds or Recovery Zone Facility Bonds, a unit or authority's governing body must take formal action by resolution designating a specific area (or the entire County) as a "recovery zone." Attached is a sample resolution that has been provided by a bond counsel that units may use to designate a recovery zone if a unit plans to issue either type of these bonds. As noted in a previous memorandum, it is important that a recovery zone be designated at the earliest possible date when considering an issuance of either of these types of bonds. It is also always advisable for units to consult their own bond counsel when considering project financings of this type.

Our staff is available to provide additional information to units or authorities who may have an interest in or the need for these types of financings or who may have questions regarding these bonds. For more information related to debt issues, please contact Jim Baker at (919) 807-2370 or jim.baker@nctreasurer.com or Tim Romocki at (919) 807-2360 or tim.romocki@nctreasurer.com.

THE BOARD OF COMMISSIONERS OF THE COUNTY OF _____
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