



City of Seattle
Office of Economic Development

DATE: September 17, 2010

TO: Regional Development and Sustainability Committee
Councilmember Richard Conlin, Chair
Councilmember Jean Godden
Councilmember Michael O'Brien
Councilmember Tim Burgess

CC: Ben Noble, Central Staff Director
Sara Belz, Central Staff

FROM: Steve Johnson, Director

SUBJECT: **Resolution 31242 Recovery Zone Facility Bonds**

Recovery Zone Facility Bond Overview

Background

Recovery Zone Facility (RZF) Bonds are a type of tax exempt bonds designed to spur private investment in economically distressed areas. The City of Seattle has authority from the federal government to issue over \$19 million in RZFBs for private projects.

Program Overview – How it Works

- 1. Recovery Zone:**
Seattle City Council previously adopted Resolution 31197 to designate the Recovery Zone in which qualified RZF Bonds must be located.
- 2. Project Approval:**
Pursuant to Resolution 31197, Council expressed its intent to delegate its authority to an investment committee to sub-allocate RZF Bond volume cap. Since approval of Resolution 31197, Council appointed members to an investment committee for Seattle Investment Fund LLC, an entity created by the City to manage its federal New Markets Tax Credit program. This legislation proposes to delegate approval of RZF Bond projects to Seattle Investment Fund LLC's Investment Committee because RZF Bond projects are similar in size and nature to projects receiving investments of New Markets Tax Credits. Since approval of Resolution 31197, the City Attorney's Office has advised that Council's delegation of authority be made more explicit through this legislation.

3. Project Closing:

For each project, RZF Bonds will be issued and privately placed with a bank/lender. The bank/lender will then loan the bond proceeds to a project developer. Due to the tax-exempt status of the bonds, 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). The City will not contribute funding or credit enhancement for any RZF Bond projects.

If you have any questions, please do not hesitate to call Ken Takahashi at 206-684-8378.