

EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



Public Hearing and Possible Action: An Ordinance Establishing a Process and Standards for Issuing Economic Development Project Revenue Bonds as Recovery Zone Facility Bonds

Meeting Date: November 22, 2010
Department: Central Services
www.eugene-or.gov

Agenda Item Number: 1
Staff Contact: Sue Cutsogeorge
Contact Telephone Number: 541-682-5589

ISSUE STATEMENT

In order to move forward with any financings that the City might undertake with Recovery Zone Facility Bonds, Oregon Revised Statutes require that the City adopt a procedure and standards for approval for issuance of economic development project revenue bonds. These procedures and standards must be in place prior to issuing any of the bonds, and the deadline for issuing the bonds is December 31, 2010; therefore, an emergency ordinance is presented for council consideration to allow for the possibility of issuance of Recovery Zone Facility Bonds.

BACKGROUND

The City received an allocation from the Federal government of Recovery Zone Facility Bonds of \$11,083,000. The bonds may be used by private companies to access tax-exempt financing. Up to \$8 million of Recovery Zone Facility Bonds are proposed for the Bennett project (on Willamette Street, adjacent to the Beam project). The remainder of the bonds were waived and reallocated by the state. Although there are no other private projects currently identified to use the remaining City authorization, it is still possible for other City projects to emerge prior to the expiration of the federal authorization.

The proposed ordinance sets out a process and standards for projects to make application for the use of Recovery Zone Facility Bonds. This is a requirement of Oregon Revised Statutes. Issuance of this type of debt is new for the City, and bond counsel recently informed staff that this step is required prior to issuance of any Recovery Zone Facility Bonds.

Due to the Federal government's deadlines for issuing the bonds prior to December 31, 2010, insufficient time is available to go through the normal ordinance process and the emergency process must be used. Notice of consideration of the ordinance was posted on the City's web site on Friday, November 12, and notice was published in the *Register-Guard* on Tuesday, November 16. In order for the council to act on this ordinance at the November 22 meeting, unanimous consent is required because the ordinance was not advertised for 10 business days prior to the public hearing and not considered by the council at two or more meetings. If there is not unanimous consent of the council at the November 22 meeting, the ordinance will be brought back to the council on December 13 for another public hearing and December 15 for action, where it will require six votes of the council to go into effect immediately. (See section 4 of the proposed ordinance for further information on timing.)

RELATED CITY POLICIES

None. This action simply sets up a process. Policy issues around Recovery Zone Facility Bonds are related to authorization of any specific application that would be requested under this ordinance.

COUNCIL OPTIONS

1. Approve the ordinance.
2. Request that the ordinance be brought back to the council on December 13 for a public hearing and December 15 for final action.
3. Do not approve the ordinance.

CITY MANAGER'S RECOMMENDATION

The City Manager recommends approval of the ordinance.

SUGGESTED MOTION

Move to adopt an ordinance establishing a process and standards for issuing Economic Development Project Revenue Bonds as Recovery Zone Facility Bonds.

ATTACHMENTS

- A. Proposed Ordinance

FOR MORE INFORMATION

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ORDINANCE NO. _____

AN ORDINANCE ESTABLISHING A PROCESS AND STANDARDS FOR ISSUING ECONOMIC DEVELOPMENT PROJECT REVENUE BONDS AS RECOVERY ZONE FACILITY BONDS.

The City Council of the City of Eugene finds that:

- A.** The City received an allocation of \$11,083,000 of recovery zone facility bond volume cap under the American Recovery and Reinvestment Act of 2009 (“ARRA”). That volume cap allows the City to issue tax-exempt bonds to finance privately owned depreciable property.
- B.** ARRA requires that recovery zone facility bonds be issued by December 31, 2010.
- C.** The City is authorized by ORS 280.410 to 280.485 to issue economic development project revenue bonds that qualify as recovery zone facility bonds under ARRA.
- D.** ORS 280.420 requires the City to adopt an ordinance approving standards and a process for receiving and processing applications for economic development project revenue bonds that are issued under ORS 280.410 to 280.485.
- E.** Notice of this proposed ordinance was posted on the City’s website on November 12, 2010 and published in the Register-Guard on November 16, 2010.

THE CITY OF EUGENE DOES ORDAIN AS FOLLOWS:

Section 1. Purpose. The purpose of this ordinance is to provide procedures and standards to carry out the powers granted to the City by ORS 280.410 to 280.485 with respect to economic development projects that may be financed with recovery zone facility bonds that are authorized by the American Recovery and Reinvestment Act of 2009 (“ARRA”). ORS 280.410 to 280.485 authorize the City to issue revenue bonds to finance or refinance certain economic development projects and to loan the proceeds of those bonds to private entities to provide for the construction, substantial rehabilitation or permanent financing of those economic development projects. The provisions of this ordinance are to be liberally construed in order to carry out this purpose.

Section 2. Applications. Applications for financing with economic development project revenue bonds that qualify as recovery zone facility bonds may be filed with the City Manager not later than two weeks prior to the last scheduled council meeting in calendar year 2010; or, if the legislation authorizing issuance of recovery zone facility bonds is extended beyond

December 31, 2010, then not later than two weeks prior to the last scheduled council meeting before expiration of the extended authorization deadline. Applications may be in the form of a letter addressed to the City Manager; the application shall describe the proposed project, the amount of recovery zone facility bond financing that is requested for the project, and the proposed purchaser of the recovery zone facility bonds.

Section 3. Standards and Approval. The City Council may consider any relevant data before approving a project for financing with economic development project revenue bonds that qualify as recovery zone facility bonds. Before approving a project for that financing the City Council shall consider the benefit to the community of the project, the availability of recovery zone facility bond volume cap for the project, and the likelihood that applicant will be successful in having the recovery zone facility bonds issued by December 31, 2010, or any later date authorized by the federal government for issuance of recovery zone facility bonds. The issuance of economic development project revenue bonds that qualify as recovery zone facility bonds may be approved by resolution of the City Council.

Section 4. Emergency. ARRA currently requires recovery zone facility bonds to be issued by December 31, 2010. Applications for economic development project revenue bonds that qualify as recovery zone facility bonds must be received by the City Manager before they may be acted on by the City Council. Proposed users of those bonds need substantial time after the City Council finally acts on their application to arrange for the issuance of the bonds by December 31, 2010, the current deadline for issuance of recovery zone facility bonds. Section 28(4) the Eugene Charter authorizes an exception to the timeline and content of the public notice for this ordinance. Full compliance with the notice requirements of section 28(1) of the City Charter would delay final City consideration of applications for financing with the bonds beyond the time final action is needed by applicants. An emergency is therefore declared to exist, and the City Council finds that the notice described in Recital E practicable under the circumstances.

Section 5. Effective Date. For the reasons described in section 4 above, this ordinance shall take effect immediately upon its approval by the City Council.

**Passed by the City Council this
22nd day of November, 2010**

**Approved by the Mayor this
____ day of November, 2010**

City Recorder

Mayor