



Contra
Costa
County

To: Board of Supervisors
From: David Twa, County Administrator
Date: January 26, 2010

Subject: CREATION OF A RECOVERY ZONE UNDER THE PROVISIONS THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 FOR THE PURPOSE OF ISSUING RECOVERY ZONE ECONOMIC

RECOMMENDATION(S):

1. ACKNOWLEDGE that the American Reinvestment and Recovery Act of 2009 ("ARRA") provides, among other things, an opportunity for the County to take advantage of a special taxable bond structure known as Recovery Zone Economic Development Bonds ("RZEDBs");
2. ACKNOWLEDGE that the County would be eligible to receive a direct interest cost subsidy of 45% from the Federal government on an RZEDBs, thereby significantly reducing the net interest cost and making RZEDBs a very cost-effective borrowing tool;
3. ACKNOWLEDGE that ARRA provides an allocation of \$10.7 million of RZEDBs to the County that will be forfeited if not used in 2010;
4. ACKNOWLEDGE that ARRA requires the Board to designate a "Recovery Zone" in which eligible RZEDB projects will improve the local economy and employment situation;
5. ACKNOWLEDGE that the economies in the cities of Richmond, San Pablo, El Cerrito and Hercules in West County would benefit from the replacement of the West County Clinic;
6. ADOPT Resolution No. 2010/78 designating West County as a Recovery Zone

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR ☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **01/26/2010** ☐ APPROVED AS RECOMMENDED ☒ OTHER

Clerks Notes: See Addendum

VOTE OF SUPERVISORS

AYE: John Gioia, District I Supervisor
Gayle B. Uilkema, District II Supervisor
Mary N. Piepho, District III Supervisor
Susan A. Bonilla, District IV Supervisor
Federal D. Glover, District V Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: January 26, 2010

, County Administrator and Clerk of the Board of Supervisors

By: June McHuen, Deputy

Contact: LISA DRISCOLL
(925) 335-1080

cc:

and designating the proceeds of RZEDBs, in combination with proceeds of traditional lease revenue bonds, to be used toward

RECOMMENDATION(S): (CONT'D)

project costs for the replacement of West County Clinic (attached).

FISCAL IMPACT:

None specifically from this action; however, the eventual overall financing cost versus using traditional lease revenue bonds for the West County Clinic will be reduced by utilizing Recovery Zone Economic Development Bonds.

BACKGROUND:

The County is currently in the process of replacing the Richmond Health Center, a 45 exam room, 32,000 square foot clinic, with a new 50,000 square foot clinic with 60 exam room and all supportive services to be located on leased property on the campus of the Doctors Medical Center in San Pablo, California. The structure is to be an outpatient facility and will include spaces for exam and treatment rooms, medical records, nurses stations, doctor work areas, patient registration, and ancillary services. The facility will be County run and will be independent of the Doctors Medical Center. The Contra Costa County Health Services Department is the largest provider of inpatient and outpatient safety-net services for the uninsured in the County and the Richmond Health Clinic is the largest Federally Qualified health center in the poorest part of the County.

In February 2009, President Obama signed into law the American Reinvestment and Recovery Act of 2009 ("ARRA") that provides, among other things, a number of special bond structures to induce local governments to undertake shovel-ready projects as a means to create jobs and improve the local economy. One of the special bond structures is known as Recovery Zone Economic Development Bonds ("RZEDBs"). RZEDBs are taxable bonds but provide a direct Federal subsidy of 45% of the interest cost to the local agency. That means that the net interest cost is lower than traditional tax-exempt interest by about 75 to 100 basis points. In order to minimize the cost to the Federal government of funding such an attractive interest subsidy, ARRA provides only limited allocations to local governments and mandates that the allocations be used by the end of 2010. The County has an allocation of \$10.7 million. Also, on December 9, 2009, Contra Costa Health Services received an ARRA facility investment award of \$12 million to support the rebuilding of the Richmond Health Clinic on the campus of Doctor's Medical Center in San Pablo. Additional funding will come from the sale of the old facility, currently estimated to be in the \$5 to \$6 million range.

In order to take advantage of RZEDBs, the Board must adopt a resolution designating a so-called "Recovery Zone". The Board has very broad discretion is designating a recovery zone and could, for example, declare the entire County as a Recovery Zone in much the same way that Hawaii designated its entire area

a Recovery Zone. Because the replacement of the West County Clinic is a critical need, it would be advantageous to declare West County a Recovery Zone and use the RZEDBs to reduce the financing cost of the project. The \$10.7 million allocation will not be sufficient to fund the entire project, but it will be instrumental in reducing the overall financing cost versus using traditional lease revenue bonds for the entire project cost.

The County must deliver an approved resolution declaring a "Recovery Zone" to the California Debt Limit Allocation Committee by January 31, 2010 or the \$10.7 million allocation will revert to the State. The County would then be able to compete for the allocation but there is no guarantee it would win the competition. Thus, it is recommended that the Board adopt the resolution without delay. Staff will return to the Board with a separate proposal to approve the actual issuance of the RZEDBs and traditional lease revenue bonds to fund the West County Clinic.

CONSEQUENCE OF NEGATIVE ACTION:

CHILDREN'S IMPACT STATEMENT:

CLERK'S ADDENDUM

ADOPTED recommendations 1-5; DIRECTED the County Administrator to coordinate with Counsel Counsel to amend Resolution No. 2010/78 to create the Recovery Zone as a countywide zone in order to address the possibility of stimulus fund actions in the future; ADOPTED Resolution No. 2010/78 as amended.

ATTACHMENTS

Resolution No. 2010\78

Resolution No. 2010/78

Certificate of Deputy Clerk